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West Europe Report

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IRAN-IRAQ WAR AFFECTS SPANISH OIL RESERVES

Down 22 Percent

Madrid EL PAIS in Spanish 9 Dec 80 p 55

[Excerpts] The energy ministers of the seven major industrialized countries will meet this afternoon in Paris within the framework of the IEA [International Energy Agency] to discuss the implementation of the decisions taken in the energy field at the Venice summit meeting of June 1980. At the IEA meetings attended by numerous countries in addition to the seven principal ones, Spain was represented by the minister of industry and energy, Ignacio Bayon, who said yesterday in Paris that Spain would finish 1980 with an oil reserve of 70 days rather than the 90 days recommended by the IEA, according to a report from the EFE NEWS AGENCY.

At the present meeting action will be taken to correct situations similar to that of Spain where, if the Iran-Iraq war continues, there will be oil reserves for no more than 60 days of consumption at the close of the first quarter of 1981.

The mechanism slated to correct supply imbalances is already helping Turkey and will soon benefit Portugal, countries, which, together with Spain, Greece, Sweden, and Australia, were represented at a lunch yesterday with Charles W. Duncan, U.S. secretary of energy.

Spain, whose oil supplies are down by 22 percent because of the war between Iran and Iraq, is interested in such a balancing arrangement under which oil shipments would be diverted from sufficiently well supplied markets to those experiencing a shortage.

The decision to create such a mechanism is up to the executive committee of the IEA, but in its implementation the United States will play an essential role.

With the decision taken by the IEA in October 1980 that its member countries could not turn to the free oil market, no alternative remains for those countries highly dependent on imports other than to use their oil reserves.

Spain has an energy dependence in the order of 70 percent because it produces for its consumption needs no more than 12.6 percent coal, 1.4 percent oil, and 2 percent nuclear energy. It meets this dependence on energy imports with 64.7 percent in crude oil purchases, 3.6 percent in coal purchases, and 1.7 percent in gas purchases.

Reducing Spain's Dependence on Oil

Spain plans to reduce its oil dependence to some 50 percent by 1985 and 44 percent by 1990 through a whole series of measures, among them an increase in coal and nuclear energy production.

In order to achieve this it will have to double its coal production between now and 1990, a decision which is in agreement with the policy advocated by the IEA.

But Spain's imminent problem is to make up the deficit in its oil supplies resulting from the war between Iran and Iraq, since the increased production by the other OPEC countries is not sufficient.

Iran, Iraq Resume Exports

Madrid YA in Spanish 30 Nov 80 p 29

[Text] The tankers "Perch" and "Sea Scout," both chartered by CEPSA [Spanish Petroleum Company], have resumed this very week the loading of crude oil from Iraq and Iran after a 2 1/2-month interruption on account of the war between the two countries, according to the magazine PETROLEO. The tanker "Perch" loaded between 25 and 26 [November 1980] some 200,000 tons of Iraqi crude oil at the Ceihan terminal in Turkey where one of the pipelines carrying Iraqi crude to the Mediterranean ends. Said pipeline has a carrying capacity of 700,000 barrels a day. The last oil shipment was on 12 September 1980.

This week, too, between last Thursday and today, the tanker "Sea Scout" has been loading at the Iranian terminal of Kharg Island 240,000 tons of crude oil for transport to the CEPSA refinery in Algeciras. The dates mentioned are those scheduled even though it is possible that some delay may occur because of the special circumstances surrounding the resumption of oil exports.

In addition, it was confirmed that CEPSA signed an agreement with the Algerian company SONATRACH [National Company for the Transport and Marketing of Hydrocarbons] for the acquisition of 3 million tons of Algerian crude between 1 January 1981 and 31 December 1984. The price per barrel will be that set by OPEC at its forthcoming meeting in Bali, Indonesia, on 15 and 16 December 1980.

CEPSA had recently concluded an agreement with Algeria for the exploration of hydrocarbons on Algerian territory to enter into effect when it is ratified by that country's government, probably in the middle of December 1980.

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CSO: 3110

DEPENDENCE ON IMPORTED OIL INCREASES

Imports Increase

Madrid YA in Spanish 16 Nov 80 p 27

[Text] In the first 7 months of this year oil imports represented 58 percent of our exports compared with 34 percent for the same period of 1979 the rate at which we had arrived after reducing the negative impact of our energy dependence from a maximum of 52 percent reached in 1976, according to information issued by the Central Bank.

According to the report, to equal the 1979 performance it would be necessary for exports to receive a stimulus of 78 percent, increasing to an average of 195 billion pesetas from the current monthly rate of 116 billion.

Negotiations With Qatar

Madrid YA in Spanish 13 Nov 80 p 29

[Excerpt] By the middle of this week we shall know what additional supply of oil Qatar will be able to bring to the Spanish economy to offset the lack of supply resulting from the war between Iran and Iraq, which has disrupted shipments to most of the Western countries.

Negotiations now going on with Qatar have not yet been completed, but it is hoped that they will be finalized within the next few days and that we shall be able to announce the results. That would conclude the commercial part of the trip made by the king and queen to various oil countries and Japan, during which it was agreed that Kuwait would furnish 20,000 additional barrels of oil to the countries it was already supplying. The 25,000 additional barrels from Saudi Arabia, shipment of which is to begin immediately, were the consequence of negotiations held by high officials of the Ministry of Economy in London with Saudi leaders resulting in that kingdom's decision to compensate for the losses in oil shipments brought about by the Iranian-Iraqi war. Meanwhile, it should be mentioned that, under the terms of the same agreement, France is to receive 120,000 barrels of oil daily from Saudi Arabia.

With regard to the possibility that an agreement might be reached with Indonesia for oil supplies, sources from the Ministry of Economy and Commerce indicate that no agreement is presently anticipated inasmuch as the quantity would be small, and the characteristics of Indonesian oil--too much paraffin--would make the cost prohibitive from the standpoint of transportation, since the product would be coming from a great distance and would have to be shipped in special tank barges.

PCF'S HERMIER QUESTIONED ON MARCHAIS' 131-POINT PLAN

Paris L'HUMANITE in French 10 Dec 80 p 3

[Interview with Guy Hermier member of the PCF: "Our Battle Plan is Something Concrete"]

[Text] On Monday night Guy Hermier, a member of the Political Bureau of the PCF, was answering questions on Radio Monte-Carlo about Georges Marchais battle plan and his 131 proposals.

The format of the program, which requires concrete and precise answers, was well suited to the subject since, as G. Hermier was to show, "The Communists battle plan is something concrete."

Question - The Common Program ended in 1978 and the PCF just drew up a battle plan in 131 proposals for the presidential campaign. I would like to know the difference between this battle plan and the Common Program?

Guy Hermier - We take into consideration the situation of the Left today and the fact that the Socialist Party dropped the Common Program and the policy of transformation they once supported. For the coming presidential election Georges Marchais, our candidate, has just presented a battle plan which contains all the objectives we are proposing for the workers' struggle in order to proceed toward some real changes. We reject today's crisis and its consequences on the workers.

[Question] Michel Rocard said it looked like a Manufrance catalog and that it was not possible to get everything at once.

[Cuy Hermier] A Manufrance catalog is already not so bad. With this plan, and Georges Marchais emphasized it strongly, we promise nothing for the elections. We are saying that in order to attain full employment, the minimum salary of 3,300 F ($733) per month as well as the other objectives, everything depends upon the fighting.

[Question] You have just mentioned the economic slowdown, and your plan anticipates creating 800,000 new jobs a year as well as leading to the development of robotization. How do you reconcile these two requirements?

[Guy Hermier] Robotization is a means of making production line work, the laborer's work, easier. At the present time, robots that are being installed in France in our factories come from the United States. This situation leads to an increase in unemployment. We believe that with a policy of machine-tool development, a policy of development of robot machines, it would be possible to improve working conditions by introducing robotics while creating jobs for better qualified workers.

Yes, the full employment objective can be reached in France. It is possible with true social justice, with renewed French growth.

At the end of the program, a last question was asked of Guy Hermier concerning the situation in Poland and the possibility of Soviet intervention. According to this member of the Political Bureau of the PCF: "Those who, in this situation, claim they want to help Poland, are doing all they can to destroy the stability of that country. It is up to the Polish people to solve their own problems. At the PCF, we hope that they will find within themselves the means of resolving their own difficulties."

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CSO: 3100

BULGARIAN INTERNAL TRADE MINISTER INTERVIEWED BY 'ANDI'

Athens ANDI in Greek 19 Dec 80 pp 16, 17, 18

[Interview with Bulgarian Internal Trade Minister Georgi Karamanev]

[Text] Bulgarian Internal Trade Minister Georgi Karamanev, who has been in Greece these days for the regular bi-ministerial Greek-Bulgarian meeting, has granted ANDI an exclusive interview of extreme interest. His answers vividly describe the extent and originality of the economic cooperation between the two countries. It is possible that the joint enterprises being developed and the bilateral exchanges which concern timely economy sectors of the two countries can become a unique "twin bridge" between EEC and KOMEKON creating new prospects in the relations between the eastern and western part of Europe.

The fourth visit of the Bulgarian minister to Greece coincided with the Eighth Meeting of the Greek-Bulgarian Bi-ministerial Commission for Economic and Professional-Technical Cooperation. On this occasion the chairman of the Bulgarian delegation met with the Greek economists and ministers, Kalatzakos, Dimas, and Panagiotopoulos, Ministers to the Premier and Foreign Affairs Stefanopoulos and Mitsotakis, respectively, Premier Rallis, and President of the Republic Karamanlis. He also met with representatives of entrepreneurial circles of the country. The exclusive interview Karamanev granted is as follows.

Question: Is there any new information or was your meeting simply a routine one?

Answer: I will give you right now the new information characteristic of this meeting:

a. First, this meeting takes place immediately following the recent meeting in Sofia of Presidents Karamanlis and [Todor] Zhivkov. Their communique states that a meeting of the Joint Greek-Bulgarian Commission should take place as soon as possible. The basic objective of the Eighth Meeting was to assess all that has been achieved until now in all sectors and to promote our cooperation on the basis of the instructions given by Presidents Karamanlis and Zhivkov.

b. The second characteristic feature of the Eighth Meeting is that our main attention was directed to the question of industrial collaboration or, to put it in another way, to develop joint enterprises between the two countries. This cooperation is the most modern, the most stable and has the best prospects. In this sector too we have certain positive results. Up to this time we have established three small companies: the Bulgarian company KHIMIPORT and the Greek company ELLAS-BILDPORT. Capital of the Lebanese company OUNIFERT is participating in the Greek company which is the first international company in operation.

Question: Is it already in operation?

Answer: It certainly is, in the chemical products sector.

Question: In fertilizer or the industrial chemistry sector?

Answer: The basic chemistry sector. Moreover, we are about to sign another agreement for one more company in the pharmaceutical sector.

The second operating company is /by agreement/ the Bulgarian MASIN EXPORT and the Greek VET in the engine manufacturing sector. The company's name is MEVET, a joint Greek-Bulgarian engine manufacturing company, in other words.

The third company is DKW--a joint adventure of the Bulgarian company BULGAR PLODEXPORT, the Greek company KANAKARIS, a giant trust with headquarters in Almyros, and the Dutch company OUINK-KONK.

Question: What is its objective?

Answer: Trade and fruit and vegetable canning. In the next 2-3 months the establishment of four joint companies will be announced. The first one is for the production and marketing of fish and other fishing products. The second is for the production and marketing of canned meats and fruits. The third one will have as its objective the production and marketing of canned meats and pork products /sausages, and so on/. The fourth one will cover the pharmaceutical industry sector. All this, of course, marks just the beginning because we have other contacts, we carry on discussions, and we are preparing the grounds for other agreements. In Northern Greece we are building jointly with the DERAS Company a plant for skin processing. It will start operating by the end of 1981. Also, our cooperation in the area of bus manufacturing is positive and this, I think, is very important. This is a joint effort of the Greek KOPELOUZOS Company and the Bulgarian BALKAN KAP/IMPEX. They make bases for the domestic transportation needs of the two countries and for exporting to other countries.

Question: Are they in the planning stage?

Answer: No, no. Already 200 buses have been manufactured in Greece and negotiations are underway for 200 more. These last 200 will be paid for by tobacco from old harvests.

But we went further still. We signed a document for eliminating the "clearing." On this basis also we signed an agreement between the two export trading banks for refining and simplifying the banking relations between the two countries.

The other new element which I would like to point out concerns the meetings we had with the representatives of the entrepreneurial world with whom we discussed specific subjects. Bulgarian Deputy Trade Minister Kirinski met with representatives of the Greek entrepreneurs to whom he explained the new law Bulgaria voted on the participation of foreign capital in joint companies.

Another point is that in all sectors of economic cooperation additional issues concerning the implementation of decisions taken earlier were pinpointed and specified. For example, our committee has signed an agreement concerning the interconnection of the energy systems of the two countries. The subcommittee on energy matters has made an analysis on the progress of the project while the committee on transportation has examined several practical problems given the fact that the opening of a new transit station at the border has been agreed upon. The specialists of the two countries have made a study of all techni al aspects in order that that this road interconnection be completed as soon as possible.

The subcommittee on greater scientific cooperation has determined the time needed for Greece and Bulgaria to exchange visits by specialists. In addition, the Bulgarian side has given the Greek side a government plan for expediting the issuance of passports for those working in the economic cooperation sectors. These, I would say, are results of the Eighth Meeting of the Commission.

Question: Do these four new joint agreements you spoke about concern only Greece and Bulgaria or will new countries be added?

Answer: They will be purely Greek-Bulgarian agreements without the participation of others.

Question: Do you think that Greece's joining the EEC is about to create any problems in the development of the relations between Greece and Bulgaria?

Answer: This matter was also discussed during our meeting with the Greek ministers. The entrance of Greece into EEC must not impede our economic cooperation. Both countries are studying the EEC and KOMECON legislation in order to find the channels which could be used for furthering the development of our economic relations. Furthermore, in all the companies for which the agreements have been signed there is a situation which existed before Greece's joining EEC. But both sides, during the Zhivkov-Karamanlis meeting as well as during the discussions I had with the Greek ministers, underlined the same standard position:

The Greek entrance into the EEC must not impede the development of our economic relations. On the contrary, it must provide still greater margins for our two countries to be able to strengthen as much as possible their relations of friendship and economic cooperation. In this way we can also somewhat influence the contacts between EEC and KOMECON.

Question: Could you expand this statement? Can we perhaps say that Greece and Bulgaria can function as a "twin bridge" of contacts between the two economic formations?

Answer: Both sides have expressed their absolute unanimity. We are now discussing this subject with the entrepreneurial circles of both countries.

Question: Can we say that these joint companies represent a small test of those cooperation models which will shape the bridge between the two big economic fronts?

Answer: Definitely, we could say so.

Question: In any case, I would like to make the following observations: About the companies you mentioned earlier, I gather that Greece and Bulgaria play a more or less trading and retailing role. Except for this role--which I do not say is a bad one--what other role could Greece and Bulgaria ultimately play?

Answer: Production plays a primary role in our cooperation. The substance of a new element in our economic relation is this: The joint production will extend beyond the traditional forms of buying and selling. We are now working on using to best advantage the ties which can be developed between the two countries on the basis of the existing know-how. This [effort] conceals tremendous possibilities, the simplest example of which is chemistry. An exhibit of Bulgarian chemistry is being shown here. We made a proposal to Industry [and Energy] Minister Manos: Bulgaria, which has great potential for the production of ethylene (aithylenion) which constitutes the raw material for the production of soft and hard polyethylene, can increase its production so as to cover not only its own needs but also those of Greece which has just recently begun to create the potential for the production of polyethylene. You understand that in this way both sides could save considerable investment capital. Our geographic proximity provides other priorities. Today the transportation costs are one of the basic factors for the formation of a product's price. We also agreed that Bulgaria should increase its production of gasoline for the purpose of covering the needs of both countries, while, on the other hand, Greece should increase its production of gas to cover, besides its own needs, those of Bulgaria's also. In other words, there should be an exchange of gasoline and gas. You are aware that this can be very profitable.

Question: In this joint venture, what particular services does Greece offer--which sectors of our economy will be utilized?

Answer: Bulgaria can become a very good market for the Greek agricultural products and for those of the food supply industry. Two-three years ago we made this proposal: Bulgaria will sell to Greece agricultural machinery and chemical products which will be produced an great quantities in exchange for Greek agricultural products. Yesterday we discussed this proposal with Tataridis. I am certain that this proposal merits priority and we are studying the methods for its realization. The possibilities in all the sectors I mentioned are immense. What is the naked truth? No political problems exist between our countries. We must strengthen and develop our economic cooperation.

Question: What are your impressions from the meetings with Greek officials?

Answer: For me it was a great honor to have been received by President of the Republic Karamanlis. At the meeting I had with him we discussed in detail the economic cooperation between the two countries and we jointly reached the conclusion that this cooperation is positive. We also ascertained that the Bi-ministerial Commission of Economic and Professional-Technical Cooperation contributes considerably to such relations. Karamanlis said that during these difficult times the world is experiencing, both Greece and Bulgaria have relatively stable economies. He underlined--and I agreed and I, too, underlined it--that this [stable economy] offers the basis for a broader economic cooperation. He added also that the relations between our countries are developing very well and that he is very pleased with his last meeting with the Bulgarian leader Todor Zhivkov for whom he expressed great esteem and respect and strong friendly sentiments. In addition,

we made an assessment of the political climate in the Balkans, keeping in mind the international political situation. We ascertained that the excellent relations between our two countries are also a favorable factor for creating a good climate. Karamanlis expressed the hope that our relations will become still better in the future and that such a development is to the benefit of the two peoples and the peace in the Balkans. At the meeting with [Premier] Rallis we also discussed all these questions. I want to stress a thought by Rallis: that is, Greece has with Bulgaria one of the best relationships it has with other countries--eastern or western. He also expressed the wish for a broader development and activation of the bilateral relations.

All meetings took place in a very cordial, open and friendly atmosphere and during all of them the wish and willingness for cooperation was stressed. I found in all those whom I met a desire for strengthening our ties even after Greece joins EEC and for not weakening them in any manner. Finally, all of them expressed constructive and very specific positions on all the matters I brought up. I am exceedingly satisfied with all the meetings and discussions I had in Greece. The main thing now is to see that this exceptional atmosphere which exists on a government level be extended to the entrepreneurial circles, to see that the common interest of both our and your entrepreneurs is increased in order for these relations to attain specific economic substance. That is all I have to say.

Georgi Karamanev

Karamanev is a personality who successfully combines the virtues of a skillful politician and of those of an exceptionally endowed technocrat. He was born in 1931 and since 1971 has been minister of internal trade [and service] of the People's Republic of Bulgaria and chairman of the Bulgarian delegation in the Bi-ministerial Commission for Professional and Economic Cooperation between Greece and Bulgaria.

He is a member of the Central Committee of the Bulgarian Communist Party and the Demotrophic KOMSOMOL, first secretary of the City Committee and the Plovdiv District Committee, first vice president of Sofia and until 1971 first deputy minister of internal trade. He studied commercial and economic sciences in Moscow and is considered one of the best trained economists in his country. The ministry he heads is responsible for all services for meeting Bulgaria's consumer needs.

As his country's representative in the Joint Greek-Bulgarian Commission, Georgi Karamanev has contributed a great deal to the further development of the relations between the two countries. He speaks Russian and French, is married and has two sons. His wife is a journalist.

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CGIL SECRETARY GARAVINI INTERVIEWED ON UNION DEMOCRACY

Rome RASSEGNA SINDACALE in Italian 20 Nov 80 pp 10-11

[Interview with Sergio Garavini by Francesco Cuozzo; place and date not given]

[Text] We continue herewith our series of interviews on democracy in organized labor. Following Valentino Zuccherini (nº 38), Aldo Amoretti (nº 41), and the comrades from the Desio FIOM secretariat (nº 42), this issue brings you Sergio Garavini, national CGIL secretary.

Question: There are rumors going around, even among the workers, to the effect that workers are already adequately protected against abuse from employers, but not against union bureaucracy and minorities. What do you think about this?

Answer: The assertion that workers are adequately protected aginst employer abuses seems to me a statement that is, to say the least, open to question. The FIAT business showed that we are facing a crisis that is pushing the corporations into sweeping modifications and at the same time pushing employers to win back absolute control over working conditions and employment in their plants.

Question: Agreed that there is a new employer offensive but that there is no formal guarantee that will protect us against these risks?

Answer: The risks will be removed only through well-advised action by the workers and by organized labor which is capable of finding solutions to the problems the corporations face as a result of the crisis, but in a way that will support and produce responses to the workers' interests and requirements.

Question: Let's get back, though, to union bureaucracy and the minorities which are in a position to thwart the democratic will of the workers.

Answer: Organized labor, of recent years, has been greatly expanding its staff. This unquestionably entails a risk of bureaucratization. This official structure, in and outside the workplace, may indeed

impose itself upon the workers and, in the process, achieve its own kind of autonomy in operations and in discussion vis-à-vis the mass of workers. That is a real risk, and one that must be fought. Then there is the other aspect of minorities, and here I am referring to specific episodes in which some minorities used violence -- and not only verbal violence -- to intimidate would-be speakers at assemblies who held opinions different from their own. This again is a problem that must be resolved in the context of measures guaranteeing democracy in the union.

Question: But if a minority in an assembly can block its democratic activity, that means that the overwhelming majority of workers in any such meeting entertain an attitude which might, at the very least, be styled know-nothingism. That makes it more than a minority problem: it becomes evidence of a far more serious malaise affecting all workers who 'let themselves be tyrannized over,' don't you think so?

Answer: I certainly do. Every issue of democratic relations between the union and the workers is predominantly one of substance, not mere form. Wherever you find meetings or assemblies in which there is an aggressive minority capable of forcing its views on the majority of those present, you have a situation in which that majority has no clear-cut orientation, is plagued by doubts and perplexities that find no outlet for expression in a democratic discussion, and that means that these minority groups can carry the day by dint of their sheer aggressiveness. And so, along with questions of democratic procedure in assemblies, which are always important because without respect for those rules democracy hasn't got a chance, there is a need for the union to develop an ability to provide thorough and penetrating interpretation of the complex issues that bedevil the great mass of workers these days.

Question: When we talk of creeping bureaucracy we point specifically to a particular attitude taken by some union officials, the people who pursue a summit-oriented policy which finds no backing among the rank and file. So the opposition is not directed against the number of union officials, particularly if they are experienced and know what they are doing: quite the contrary. It is focused rather against a particular approach to running things, which makes such officials distorting filters between the summit and the rank and file, and between the rank and file and the summit.

Answer: There are two trends in organized labor which, if they are not stopped, may well bureaucratize the entire movement; by this I mean command and control from the summit of the union over the union, and not only over the union, but over the workers as well. This inhibits the union's potential for self-analysis and for rightly interpreting the real needs of the workers.

The first of them is the one that seeks to distort the union as a mass organization of the workers, independent of institutions as well as of political parties, playing a role of challenger, questioner, and shaper of governmental and institutional policy; the goal of those who

go along with this view is to make organized labor a strong bastion of the establishment. In other words, they would make the union over into something that, instead of getting out and retrieving a relationship with the workers, starting with their actual situation and moving toward development of a demand policy that would interpret those demands and integrate them into the overall economic and political situation, would confine itself to a cozy relationship with the government and the establishment, and there play the dual role of consultant and collaborator with the establishment. The roots and inspiration for this line is to be sought on the one hand among the Catholics, and on the other among the Social Democrats, and still further among the more outspoken middle-class-oriented who think that capitalism is an enlightened system of social participation.

Question: What, then, is the second of these two trends toward bureaucratization?

Answer: The other one has to do with that branch of organized labor, which grew in both numbers and skills over the years between the Sixties and the early Seventies, as an organization capable of mounting a fight against a policy of exacerbated worker exploitation. It is an organization that starts from an analysis of these exploitative conditions to arrive at a relationship of mutual support among workers, speaking out for them about what things are really like on the job -- the work environment, the pace, and the numbing repetitiveness, and working to improve wages, particularly for the vast numbers of the unskilled. This is a mode of organizing labor, however, that stopped short at those particular missions, that has failed to adapt its action to reality, which has brought recession and with it very real changes in the production base itself, not to mention equally real changes in the makeup of the working class to which it must, once again, adapt. It is a labor movement which, while the recession is forcing the employer to move toward changes in his productive, administrative, service, and research structures, somehow cannot seem to cope with this pressure for change. It is a labor movement which simply doesn't know how to make its voice heard in these processes, but clings desperately to every gain it has made thus far, and therefore defends merely the status quo. It is no accident that this refusal on labor's part to yield an inch has fast become the central issue. This puts us all in a defensive position. Now of course defensive battles are critically important, because it makes sense to defend yourself -- and the labor union is first and foremost a defensive organization -- but it is a mistake to let a struggle become primarily a defensive battle to maintain a situation that is going to change. To do so is tantamount to an admission that you cannot adapt your tactics to a given battlefield.

Question: You have described two concepts of organized labor that lead to the same end: sclerosis and atrophy.

Answer: To put it in parliamentary terms, we are at risk of creeping bureaucratization from both right and left, and I don't know which is the more dangerous right now. Rightwing bureaucratization removes the

worker from his union, in the sense that it reduces his role to the point where he is no longer his own man. Leftwing bureaucratization, on the contrary, pulls the worker into a position, a stance, based on class, but it, too, digs into a survival conformation by pushing the movement into strong, heroic battles which, unfortunately, invariably end in defeat.

Question: Let's move on to another subject. Don't you think the time has come to start dealing with the issue of organized labor unity on different terms?

Answer: The time has indeed come, but it is not a simple issue to deal with. I have some difficulties in using hints and generalities as a ground for action, even to avoid the perils of bureaucracy or to restore the living tissue of a democratic mass relationship between the union and the workers. The object is to hit upon a line that will express the workers' needs (issues like jobs, bearable working conditions, etc.), and at the same time will respond to the quality of work, working hours, etc., all of it centered on breaking out of this recession, by which I mean recovering our productivity and efficiency without which the whole corporate system is doomed to picking up the crumbs when the international division of labor becomes reality.

This is not a new line, but organized labor has never dealt with it, except in a few postrevolutionary phases in the socialist countries and in the postwar years in Italy and elsewhere. Today, the problem of labor unity is different in nature. The reason we never got beyond the United Federation is that our political and ideological reservations were never dissolved. Perhaps the moment when we came closest to plain speaking was when we were getting ready for the EUR assembly. The groundwork we laid then, though, was never built upon, and we failed to translate it into a demand policy.

Question: Why do you suppose you didn't succeed?

Answer: For a reason that is still with us. The new idea of union and bargaining policy we tried to put across then never got beyond a minority idea. The need for innovation in union policy -- including cultural policy -- has remained a minority issue by comparison with a line that has on the one hand proposed abandoning all wage demands and, on the other, thought it was doing something innovative with the traditional bargaining policy line by adding something to it, such as an across-the-board reduction in the work-week. Right now we are trying to get a discussion going that will update the EUR platform, but I want everybody to know that this will be a complicated, uphill undertaking.

Question: A policy line like the one you have been outlining up to now might also be achieved through a real and greatly enlarged area of independence from the political parties and here, it seems to me, is where you are going to have to redesign the roles both of the labor unions and the political parties.

Answer: I have always believed that, between the whole picture of the labor movement as represented by the unions and that of the labor movement as represented by the political parties (both the class parties and those with great mass dimensions) there is a kind of communication, a reciprocal influence that is both formal and substantial. I do not believe you could truthfully say that labor has not carved out a territory of its own vis-à-vis the parties. It has won one. The problem is how, within our own ranks and in relations with the parties, we can make unity, democracy, and the organized labor line jibe with the problems the current situation faces us with. It is in the area of the kinds of demands we make, of the way we go about choosing the terms of our dialogue with the employers, with the government, and with the establishment, that we must move ahead and when we do that, it follows naturally that we affect and are affected by the political forces.

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POTENTIAL FUTURE LABOR LEADERS HIGHLIGHTED

Rome L'ESPRESSO in Italian 7 Dec 80 p 283

[Article by Federico Bugno]

[Text] Who will be the latter-day Lama? Who will be organized labor's future leaders? What are they doing now? Here-with a descriptive catalogue of the candidates surfacing now.

Rome: -- All told, there are some two score of them. Some of the names are already familiar. Others are known only to those who make it a habit to keep a close eye on labor news and activities. In any case, tomorrow's Lamas, Carnitis, and Trentins will be coming up from their ranks. They are the new men in the labor movement, the ones rising fastest in the confederations, at the upper levels in the secretariat, in the territorial and trade associations. With the confederation congresses slated for spring, summer, and late fall of 1981, these, again, are the men who will shape the new balance of power in the labor movement.

For the CGIL, CISL, and UIL alike, these are times when emotion runs high. Even the biggest Italian labor federation makes no secret, at this point, of the pervasive malaise, which Rinaldo Scheda reported in UNITÀ, with his report of the decline in card-carrying membership over the past year. Meanwhile, CISL's ruling duumvir, Carniti and Marini, is putting the finishing touches on a massive internal turnaround, which will make the Via Po confederation an independent body, though not necessarily an anti-Christian Democrat one. The aim is to nail down, from inside, some changes which have already been made, and to achieve the "management union" Pierre Carniti has been talking about for so long. The management union will take a stand -- at least in terms of formulation -- against what UIL Secretary Giorgio Benvenuto has been calling the "helmsman union." In the UIL, too, there have been a lot of changes, and there are more to come. First will come the new faces: with the impending departures of Ravenna and Torda, and the entry into the secretariat of Loris Zaffra and Enzo Mattina, the new-blood operation begun by Benvenuto in 1976 will be complete. Now, though, let's see who these new men are, federation by federation.

In the CGIL, the man who carries the most clout after Lama right now is Sergio Garavini, former secretary of the Turin federation and of the textile workers' union, who today is confederation secretary. He is mentioned these days as the next secretary-general of the Metalworkers' Union (FLM), replacing Pio Galli, and hence as only a bouncy step or two from the chair Luciano Lama sits in today. Keeping pace with Garavini inside the national secretariat is Giacinto Militello, former secretary of the farmworkers and chemical workers, who is now head of the international, and Aldo Giunti, who heads government and transport workers, and is actually a dyed-in-the-wool organization man. All three are communists.

There are others who are beginning to make their mark inside the communist cadre in the CGIL. Among those most often seen is unquestionably Fausto Bertinotti, secretary for Piedmont, former member of the PSIUP, and heir to the working-class Turin tradition embodied for many a year by Emilio Pugno. Along with him we might name Antonio Pizzinato, secretary of the Milan Chamber of Labor; Angelo Airoldi, secretary of the united metalworkers (FIOM) and candidate for the top post in the national federation should either Garavini or Annio Breschi chance to slip.

Annio Breschi was for a long time one of the most visible spokesmen for the Milanese metalworkers (FLM), but he dropped from view for a while during the height of the push for labor unity. Now that such strivings have quieted down a bit, he is back in favor again and is often mentioned as the next secretary for the building trades workers, replacing Truffi, who will move up to become vice president of the national social security institute (INPS). Another name that keeps cropping up is that of Luciano Gianfagna, formerly of the PDUP, who now is secretary general of the farm workers.

Equally interesting is the socialist component of the CGIL, where the biggest name after that of Agostino Marianetti, who seems recently to have found a bone of contention in connection with certain internal issues nobody else seems to have noticed, is certainly that of Ottaviano Del Turco. FLM secretary, close friend of the Socialist Party (PSI) intellectuals, Del Turco today is firmly entrenched in the Craxi zone and, inside FLM, can be considered as the alter ego of the "conservatives" rooted in the legend of the metalworkers as diamong-studded cutting edge of the working class. Similar leanings may be attributed as well to Valeriano Giorgi, secretary general of the building trades unions (joint worker-labor management as an issue is dead for the time being) and Alberto Bellocchio; left as sole survivor of the left-leaning contingent is Fausto Vigevani, secretary-general of the chemical workers.

Inside the CISL, the brassbound pact between Pierre Carniti and Franco Marini is holding fast against any and all individualistic temptations. The most visible men inside the national secretariat are Eraldo Crea, Carniti's right-hand man for theoretical policy positions; Mario Colombo, former Milan secretary and now secretary for organization (he is known in the CISL as CISL's De Michelis); and Mario Merli Brandini

who masterminded the theory of accumulation and the proposed 0.50-percent levy for the solidarity fund.

In the trade unions and in the local associations, you keep hearing the names of Raffaele Morese, FLM secretary and the number-two man in the national FIM; Sandro Antoniazzi, secretary of the Union of Organized Labor in Milan; Luca Borgomeo, the Rome secretary; and Rino Caviglioli, former metalworkers' secretary, now with the textile workers. He was the man who put the non-absenteeism agreement together, and he is the man most often named as the probable successir to Bentivogli in the FLM.

That brings us to the UIL. Enzo Mattina's name is hardly a new one. He will shortly be taking a seat in the national secretariat along with Loris Zaffra, the secretary for Milan. At the national level the coming men are Bruno Bugli, in charge of government workers, Georgi Liverani, a Republican who, along with Luigi Della Croce, is claiming the heritage of Vanni and Aride Rossi, and Giampiero Sambucini, a Social Democrat. The others are Walter Galbusera, secretary of the chemical workers; Silvano Veronesi, who will be the next metalworkers' secretary; and Corrado Ferro, interim provincial secretary for Turin. A different name is that of Piero Craveri, director of the CREL and an ideologue, along with Federico Mancini, for the UIL line.

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PROSPECTS FOR POLITICAL FUTURE OF DEMOCRATIC ALLIANCE

Errors in Election Strategy

Lisbon EXPRESSO REVISTA in Portuguese 13 Dec 80 pp 7R-9R

[Article by Antonio Mega Ferreira: "The Three Greatest Errors in the Political-Electoral Strategy of the Democratic Alliance"]

[Text] The outpouring of political commentary, outlines of explanations and declarations of intention with which the AD [Democratic Alliance] leaders reacted early Sunday morning to the defeat of their candidate left one clear-cut notion: that, in the view of the spokesmen, the defeat at the polls should be blamed to a large extent on the personality of Gen Soares Carneiro himself.

From the enthusiastic backers who, after all, never were too confident about their candidate's victory to those who felt that the death of Sa Carneiro resulted in dooming the general's candidacy, there is the apparent inference that the great vacuum created around Soares Carneiro was, albeit indirectly, the AD candidate's own fault, causing his low electoral "score."

The AD's political-electoral strategy was based on some erroneous assumptions and political naivete based, of course, on disregard for certain facts concerning the electorate's profound consciousness.

It became clear to the AD strategists in the middle of this year that the increasing popularity of the coalition leaders, particularly Sa Carneiro, constituted the best possible electoral trump. From this standpoint, every strategy for the legislative elections revolved around a personalization of the campaign; and the attacks triggered by the opposition only helped to reinforce this dominant aspect, subjecting Sa Carneiro's image to an overestimated effect, polarizing both attacks and defenses, and galvanizing the two; in other words, "personalizing" a campaign which should have been primarily an opportunity for judging the institutional efficacy of the first AD government.

From the victory in October (for which they mobilized all their energy) the AD leaders drew the conclusion that it would be easy to duplicate it in December: it was the notion of automatic transferral of votes. The appeal for "consistency of the AD vote" would thus serve for another type of plebiscite operation: what was sought was that the electorate which had voted "on" Sa Carneiro in October would vote "for" Sa Carneiro 2 months later.

In my opinion, between the "on" and the "for" lies the first mistake in the analysis of the AD strategists and a sign of insecurity in the strategy for imposing Soares Carneiro as a presidential candidate. Because if the electorate agreed to approve a man by plebiscite in October (which still remains to be proven, because the sectors attracted to the AD area coming from the PS [Socialist Party] area were not behind Sa Carneiro, but rather a government action which had proven beneficial to electorally important sectors of Portuguese society, and it is also doubtful that the CDS [Social Democratic Center Party] vote in its entirety was a vote for Sa Carneiro), the effect of duplicating the vote would have to be attempted in relation to the same man. The theory about Sa Carneiro's personal charisma implied that the candi date was Sa Carneiro himself.

Against the President

The second error which besmirches the theory of the automatic transfer of votes stems from the difference in conditions under which the two elections took place.

For October, AD started with a powerful status. It had in its favor the fact that it was a government sufficiently brief not to have suffered a minimum of attrition, and sufficiently skillful not to dissipate the effect of the reins of power to which it had arrived a short time previous. But it also had in its favor the inability of the opposition to set itself up as an effective government alternative, and the very attrition to which Socialists and Communist had been subjected in their direct or indirect tenure in power.

In other words, AD only had to use the action of its government and face the opposition with the image of its own impotence. It did so with indisputable success.

For December, however, AD started under exactly the opposite conditions: Not only was the holder of the office of president of the republic not from AD, he was not AD's candidate; and, to top it off, in the event that he were a candidate, he would be one against the AD's choice.

That is to say, the institutional dynamics which AD initiated in October from government office could not be repeated with the office now at stake. And, what was worse, the entire campaign had to be started against the present holder of the office, we might say with all the political and psychological force of the phrase, against "the esteemed president of the republic."

Under these conditions, what could have prompted AD to choose Soares Carneiro as a candidate? Essentially, because the AD leaders were never convinced that Eanes would be a candidate. To reach that conclusion, the strategists put forth three arguments: First, the possible influence of the military hierarchy that would attempt to convince Eanes that his candidacy would contribute to the division of the Armed Forces; second, that under no conditions would Mario Soares guarantee his party's backing for Eanes and that, under these circumstances, the PS would abide by the wishes of its secretary general; and third that, by virtue of the foregoing considerations, Eanes would not subject himself to the possibility of a humiliating defeat, because they thought that the majority of the PS electorate and all the PC electorate would never give him their votes.

When Eanes' candidacy was announced in early September, it was no longer possible for AD to make another change in the political option that prompted its top-ranking leaders to choose a candidate without a democratic political reputation, who was completely unknown and unsuitable on the basis of his profile and personal background, to contest the election with the "incumbent," whose features were precisely those lacking in Soares Carneiro: in reputation, popularity and personal profile.

It was David against Goliath, even though the shadow of Sa Carneiro loomed behind David. Actually, the shadow of a shadow is politically ineffective.

The Candidate's Weight

A third supposition in the theory of the automatic transfer of votes disregarded the substantially different nature of the two elections: that of the President of the Republic and that of the Assembly of the Republic, naturally associated with the establishment of the government.

Anyone voting in the legislative elections voted in accordance with a rather inflexible party logic. In many parts of the country the vote was for PSD [Social Democratic Party] or PS owing to a"club-related" effect, an emotional bond to one or more personages, one or more key ideas, or one or more propaganda maneuvers.

Hence, the motivation for voting in the legislative elections was as much associated with the political tone of the regional mental and social structures as with a certain collective emulation expressed in the persistent PSD-PS, or PS-PCP [Portuguese Communist Party] rivalry. The establishment of electoral coalitions around these three political poles served to intensify the collective dynamics while, at the same time, institutionalizing the left-right dichotomy. The partisan vote was dissolved in a diffuse group of faces, because what counted was the message conveyed by the party; and, nevertheless, the electorate had a tendency to crystallize its desire to personalize the selection around the national leaders.

On the other hand, the presidential elections expressed a personal relationship between the voter and the candidate. No one will be recalled as saying that a bad minister is such because his party received the vote of voter A or B. But, for better or for worse, the president-elect owes his victory to the sum of the individual votes, and he is answerable to each and every one of those individuals.

The very fact that the election is held by direct and universal suffrage places the candidate face to face with the electorate, without the compulsory mediation of the party apparatus: the exercise of the vote does not hold the voter responsible for a general choice, but for a concrete choice. Under these conditions, the candidate's profile is the determining factor and, although the party's designation for voting is an important, and perhaps decisive factor, as shown by the very poor results for the candidates not backed by parties, it is not exclusive. Observe the example of Octavio Pato, or of Eanes himself, in 1976.

In the presidential elections, the assumption of automatic voting discipline is a mistake; because the voting is not done for parties, the vote of the parties is not compulsory for leaders of AD or Mario Soares, regardless of who is offended.

Low Profile

These three assumptions embodied in the theory of the automatic transfer of votes also prompted the AD strategists to attach priority to the legislative elections. A week before the elections, Marcelo Rebelo de Sousa gave a reminder that, when AD decided to launch the candidacy of Gen Soares Carneiro, he had warned of the need to consider the presidential elections more than a mere extension of the legislative elections. [See FBIS West Europe Daily Report, 9 Dec 80.]

For many reasons, because the AD plan is an institutional plan aimed at shaping the society in its political image (hence the insistence on the constitutional revision through a referendum and the foreseeable proposal for an election law that would tend to institutionalize AD as an apparatus of the government), the election of the president was crucial. But, rather than an error in political analysis (Sa Carneiro was never deceived about this, which is why he expended his ammunition to the end on behalf of the candidate that he backed), what apparently occurred was a strategic error stemming from the notion, which was reinforced in October, that the transfer of votes from the legislative to the presidential elections would serve to elect Soares Carneiro.

Let us observe the situation: AD won nearly 47 percent of the votes which, when converted according to the Hondt method, gave it a comfortable parliamentary majority. But, in reality, AD made the "most" of its sphere of influence, because its electoral "score,"in comparison with 1976, amounted to nearly 67 percent of the centrist electorate, which was essentially pragmatic and sensitive to the stability of the time, and to the continuity and security of the majorities. That electorate voted for PS in 1976, and for AD in 1979 and 1980; and there was no guarantee that it would vote for Soares Carneiro in December.

The left, on the other hand, PS and PCP, won a total of 45 percent; but there were "extra" votes from the extreme left, amounting to nearly 5 percent. In other words, AD depleted its potential electorate; and the left still retained a "reserve" that could be mobilized. The results proved that, in fact, the extreme left votes were not insignificant, and that they would be decisive in the runoff.

There is every indication that the coalition was unable to calculate that its October electorate was fixed and that its victory would come from gaining fringe votes from the left-center.

The strategists (at a certain point, and surely without much conviction) maintained that Gen Soares Carneiro was equipped to do so; but, incomprehensibly, they minimized the campaign of attrition that the left started regarding issues to which all of the AD's left and the floating electorate that came to it from the PS area were especially sensitive: the political compromise with the authoritarian regime of Salazar and Caetano; the lack of a democratic political reputation; a very close link with paramilitary organizations; and alleged disrespect for human rights....

Confronted with the "barrage" from the opposition, AD had only two options: either defense in a counterattack (but against whom, since the charges appeared to be irrefutable, and neither of the other candidates, specifically Eanes, had such "weak spots"?); or the personality of the candidate himself, capable of compensating

for and relegating to secondary status the very great "handicap" with which he was presenting himself to the electorate.

The one thing was not done, and the other could not be done. Hence the very obscure campaign for launching his candidacy, and the inconsistency and lack of conviction with which he was promoted (which was certainly related to the indecision that continued until very late as to who was who in the Soares Carneiro candidacy). The more or less intimate luncheons and dinners may have brought about essential financial backing but, "at the moment of truth," the vote of a manufacturer from the north is the same as that of a grocer from Mirandela; and elections are won at the polls, and not at the table of a luxurious restaurant in the capital.

In my opinion, the AD leaders wanted the "low profile" of their candidate: Not being charismatic nor capable by himself of gaining electoral and political autonomy, Soares Carneiro was a prisoner of the support which the AD leaders, and Sa Carneiro in particular, wanted to give him, at all costs. His election would always be a victory for the coalition that backed him, in a clear deviation from the contractual logic of the election for the presidency: The voter-candidate personal relation was overtaken by the voter-backer relation.

And, as a result of this political option, Soares Carneiro was deprived of the only means that could autonomously impose his profile: It would have been necessary to convert his presidential campaign into a campaign of a presidentialist type, in order to put forth the arguments of a political plan positively, in opposition to the Eanes candidacy.

A Political-Institutional Strategy

One need only read the guidelines of the AD's electoral strategy contained on pages 16-21 of the "Campaign Handbook" of the candidate to realize how all the aforementioned errors caused the weakness of the precampaign and the election campaign.

In them, the three main points in the campaign are considered to be: "reinforcement of political stability, and greater security in the future;" Soares Carneiro's election as a "decisive step in the construction of a fully democratic regime;" and "the ratification...of a genuine national plan."

At the time when the strategy was finally ready (the end of October), two facts were already known: one, the maintenance of General Eanes' high degree of popularity; and the other, the internal crisis in PS, which prompted Mario Soares to withdraw his support from the current president of the republic.

There is every indication that, once again, the AD strategists underestimated the former and overestimated the latter. This was the reason, during the weeks following Soares' spectacular gesture, that AD "obscured" its candidate, leaving the stage for the PS' internal dispute and returning to Eanes the role of a key figure in national political life, a role which the president, with unusual skill, was never to lose.

Where AD acted on its initiative for October (through the very strong arm of the government) it was now the turn of the AD's adversary to polarize the attention of an electorate which, moreover, it knew better than its leading adversary did. The dreadful mistake of taking hours of television airing to attack Eanes, criticize

Eanes and provoke Eanes was surpassed only by that naive maneuver of attempting to "recover" Mario Soares, whose image was almost depleted, among the majority of the AD electorate and amongthat of Alvaro Cunhal himself.

It was under these conditions that the general lines of AD's strategy, rather than promoting the image and significance of the Soares Carneiro candidacy in a positive fashion, were concerned with attacking the image and significance of Ramalho Eanes' candidacy in the only area wherein he could be attacked: the political-institutional area. In other words, the Alliance's strategists turned the tone of the campaign over to the adversary and, to top it off, started moving in the area wherein the president had his main power. This was the first error in the AD strategy, and it was made in two respects: the electoral and the political.

The fact is that neither the referendum, the constitutional revision nor the president's alleged "ambiguity" were electorally "strong" issues. AD had only two possible strategic lines: to show that it was impossible to govern with Eanes; and to show that Soares Carneiro was the true bearer of a government plan and that only he could execute it.

As for the first point, AD was confronted with a structural contradiction: namely, if, as it claimed, its government governed well for 10 months, how could it claim that Eanes did not allow it to govern? The difficulty can be read in the very lines of the strategy (p 18): "Gen Ramalho Eanes behaved politically as an opposition to the government, boycotting its action..." But....a single example: the law demarcating the public and private sectors; and, nevertheless, "in his capacity as president of the Council of the Revolution"!

Other clues that were cited (generally, which is odd): the diplomatic movement, the case of Timor, national defense and the naming of managers for the public enterprises. An electoral strategy of attack seems impossible to devise on the basis of such points. And, on Monday night, Prof Rosado Fernandes, a member of Gen Soares Carneiro's candidacy group, went on television to say the same thing, strangely enough citing the example of the diplomatic movement, and admitting that the voter is really not alert to such "problems."

'Presidentializing' the Candidate

I have already mentioned that the personality of the candidate Soares Carneiro was not the most obvious one for the extensive maneuver that was required.

However, the "deinstitutionalizing" of the campaign would have been the best means of promoting his candidacy. A poll published by EXPRESSO a few months ago gave this impressive result: Nearly 30 percent of the Portuguese people thought that the one governing the country, in the final analysis, was the president of the republic. Now Soares Carneiro was the only candidate who could deal with this misunderstanding without fear of invading the realm of the government's authority: He was the only candidate who, if elected, would have a government in harmony with his ideas and his candidacy platform, if he had one. Soares Carneiro was the only candidate in a position to start a campaign with a presidentialist tone, stating what his government would do during his term in office. He was the only one who could offer the voter concrete things: the solution to the problems of the youth, the aged, the retired and the unemployed. The "Campaign Handbook" does not contain a single word in

this regard, and in the candidacy platform the vague and at times confused methods concealed the major tragedy of "Operation Soares Carneiro": the fact that the path to Soares Carneiro's electoral victory lay only in Sa Carneiro's political victory. The AD leaders wanted a "good president" at their disposal, without having to run the risk of making him a good candidate.

That was the second error in the AD's electoral strategy.

A Feeble Campaign

The continuation of the strong Eanes candidacy and the semidefeat represented by the takeoff of the Soares Carneiro campaign caused a certain amount of disorientation among the AD strategists. We witnessed an unrestrained training of batteries on Eanes, with a violence and such diversity that it revealed clearly the lack of enthusiasm and conviction in the defense of their own candidate. And the great display put on by Sa Carneiro and Freitas do Amaral (upon their departure from the government) was only a logical tactical development of a strategy diverted from its proper objectives.

Having left in obscurity the argument with which they won the October elections (their government), and having turned over to the adversary the initiative and the political advantage of the precampaign (wherein the majority of the electorate decided on their voting option), perhaps deceived by the high percentage of undecided persons that the polls cited, the AD leaders could not resist the temptation to "personalize" the campaign, setting the major figures of the coalition parties against an Eanes who was absent (and hence ever present) and uninterested in personal arguments.

An error that was perhaps greater: I am from a generation which was taught (whether for better or worse, it matters little) from primary school to respect "the three symbols of the nation": the national anthem, the flag and the president of the republic.

In the view of large sectors of the people of this nation, anyone who attacks the president of the republic violently, whoever he may be, "is not doing right." And whatever the political influence of the party leaders may be I doubt that it would be sufficient (and the result seems obvious to me) to challenge this symbology that is elementary, but deeply rooted. To insult the authority, even if symbolic (or perhaps even more so in this case), could prove costly to one who does so. This was the third (and in my opinion the definitive) strategic error of AD.

An Electoral Defeat, but a Political One as Well

The tragic death of Francisco Sa Carneiro 3 days before the elections dramatically confirmed the weakness of Soares Carneiro's candidacy. It should not be considered out of the question that, with the true political essence of the candidacy (or the one who best symbolized it) gone, the empty sensation with regard to the proposed candidate became heightened. A refined political sensitivity (even though unconscious) would not fail to bring up the past profile of the candidate, now that his present political stability was no longer offsetting it.

The necessary result of the political vacuum that the Soares Carneiro candidacy found dramatized at the polls was the flight of half a million votes, directly to his nearest rival. Not having managed to affirm himself in a positive manner, the AD candidate lost the campaign politically, and the election results only served to confirm three basic things: first, that it was not proven that Eanes had been a bad president and that, therefore, AD could not govern with him; second, that it was not proven that Soares Carneiro was, himself, the bearer of a plan of his own that would be an alternative to that of the president-candidate; third, that the "personalizing" of the campaign would not erode Eanes' popularity, but rather would make the leftist electorate adhere to him spectacularly, without thereby alienating his electorate from the center. The scarecrow of communism, after all converted the sickle into a "boomerang."

Hence, the AD's political-electoral strategy was a maximalist and voluntarist strategy. Based on confrontation and opposition, it proved incapable of promoting a candidate who, if he was weak, was such because of the imposition of the delineated strategy itself.

Over the shorter term, Sunday's defeat was not merely an electoral defeat, but a profound political-cultural defeat for those who were quick to consider Soares Carneiro elected on the morning of 6 October.

Political Heritage, Future Strategy

Lisbon EXPRESSO in Portuguese 13 Dec 80 pp 2-3

[Article by Manuel Rebelo de Sousa: "A Time of Great Options for the Democratic Alliance"]

[Excerpt] 4. The AD's Reconsideration

But, let us leave the past, and even the present, and talk about the future.

From the past, it is necessary to retain the following:

The fact that Antonio Ramalho Eanes' electoral victory in the first balloting constituted, in fact, the defeat of Francisco Sa Carneiro's total plan, consisting of absolute harmony among three organs of sovereignty as an essential requisite for the revision of the Constitution and for governing for at least the next 5 years;

That the election result itself, however, did not represent a defeat for AD's governing experience which, moreover was supported by a majority on 5 October of this year;

That the death of Sa Carneiro and Amaro da Costa, through the irony of fate the two leading enthusiasts of the presidential strategy that was embodied in the candidacy of Antonio Soares Carneiro, also meant the death of the two leading strategists of the AD plan;

That Francisco Sa Carneiro left a twofold gap in leadership, in both AD and PSD, both of which would be extremely difficult to fill;

That Amaro da Costa left the CDS' internal balance yet to be restored, inasmuch as he was often the "cushion" protecting Diogo Freitas do Amaral, particularly against the "onslaughts" of Francisco Lucas Pires and the sensitivity that he claimed for himself.

If we project all these factors into the future, there is one thing certain: AD will have to reconsider, from top to bottom, what it wants to be in this future that it has already started to experience.

If Sa Carneiro and Amaro da Costa were alive, the electoral defeat of 7 December would represent only the end of an act, to be followed by one or more acts of the same play, perhaps more emotional and dramatic, but always marked by the same political confrontation of individuals and plans, with Sa Carneiro and Ramalho Eanes as protagonists.

But since AD lost an undeniable statesman and the most brilliant politician of the younger generation working for it, there remains a great deal to be reconsidered; there is almost a resumption that must be determined and initiated.

5. What Remains From the Past

Obviously, this political or strategic reconsideration on the part of AD, which is far more important than the superficial discussion of names of potential candidates for government posts,has received from the past a legacy that is not dead, and that could constitute a political base of support for the future:

There does not appear at present or in the immediate future any alternative party alliance capable of insuring a parliamentary majority and a government with a majority base of support other than the Democratic Alliance;

The Democratic Alliance has the essential legitimacy that was conferred upon it by the people's judgment of 5 October, wherein it appeared to the Portuguese people as a factor for political, economic and social stability;

Its parliamentary position is essential for directing the process of constitutional revision, and it must also do so in constant negotiation with the Socialist Party;

All the members of AD only stand to lose with a solution which, either directly or indirectly, would interfere with the continuity of the agreement that has been made and its prospects for progress in the future.

This is the legacy of the past, which is not dead, and which did not disappear with Sa Carneiro and Amaro da Costa; nor was it challenged by the presidential elections of 7 December.

In other words, the political significance of a parliamentary Alliance, endorsed by a legislature, and capable of constituting the only possible majority government plan for the coming years.

It is on the basis of this legacy and no less (such as a mere circumstantial tactical alliance) nor more (such as the plan involving the presidential victory of 7 December), that AD must reconsider its future.

6. Two Possible Options

On the basis of this legacy, AD must consider two possible options for the future.

The selection of either one of them entails meeting certain essential requirements which the leaders, members and sympathizers of AD, in general, will understandably have to fulfill:

Great equanimity in assess. he situations and the individuals, undramatizing the judgments involving both;

Unity and coherence around a legacy that has been received, giving the latter precedence over the natural differences that exist among the various parties and within each one of them;

The ability to put above those disputes involving individuals, groups and clienteles the essential issues of a political-strategic nature. The individuals must be selected on the basis of definite strategies, and not otherwise, particularly since there is not anyone who is indisputable at a particular time in history;

Speed in decisionmaking, because the Portuguese public would not be able to comprehend a majority that claims to be competent for governing being incapable of finding, within a short period of time, a solution to the gap in political leadership and to the formation of the new executive branch;

A complete realization that history does not repeat itself, that the important figures who have gone cannot be replaced by anyone in the exact manner in which they acted, and that the worst way of trying to honor their memory is second-class revivalism: Sa Carneiroism without Sa Carneiro.

On the basis of these requirements, the Democratic Alliance and each of the parties comprising it must have debated the strategy for the future before discussing names of prime ministers.

What does the Democratic Alliance want to be in the future, and for how long?

Does it want to be merely the sum total of three political parties, and a parliamentary and government alliance for 4 years, like so many coalitions formed in Europe, which could be dissolved in accordance with new electoral combinations?

Or does it want to be more than that: to continue to possess within itself a plan for a society common to the parties in the coalition, a plan which entails a new ideological proposition made to the country and aimed at guiding the government for the largest possible number of years?

On 4 December, the Portuguese people knew that the response was that AD intended to be a plan for society that would far surpass the arithmetic sum total of three parties combined in a coalition in the government.

On 7 December, it became clear that, henceforth into the future, that plan would have some major limitations, but would not become impossible.

It was still possible to retain from the AD's plan for change enough to constitute an agglutinating ideological element and program guidance for the governments that are to follow.

But AD must make a choice, particularly now that it has lost its unchallenged leader and two of its leading strategists.

And, depending on the whether the response is one or the other, the governments in the future will be different, the parliamentary action in the future will be different and the negotiations for the constitutional revision will take place in different ways.

Because if AD becomes a 4-year contract among parties, with a view primarily toward themselves, their own problems and their internal balance, instead of taking a joint view in a direction with increased participation, then the government that is formed will have to be a government with a careful, millimetrically gaged, party arrangement, wherein each party will reserve for itself the maximum possible room for maneuvering, for the present and the future.

If such be the case, if PSD does not like the CDS choices, its leaders would save or keep themselves in reserve for the future, and would not take any essential action in the government.

Or CDS, with the excuse of disagreeing with PSD nominations, would exclude essential leaders, and claim that it could cause the government to fall at any time if it did not like its future political conduct.

And the government, coming into existence in this atmosphere, would be stillborn, with the commitment of tolerance but not the commitment of constant effort, the tactical solution for maintaining the government, but not the conviction for implementing a plan.

And the Portuguese people would perceive that what is now PSD + CDS + PPM [Popular Monarchist Party] could in the future become a different coalition, the future being 1984, if it did not fall of itself before then, giving the government power on a platter to President Eanes.

The alternative is that the three AD parties succeed in combining the legacy that has been received and those who represent it in terms of historical legitimacy with a different "elan" and a suitable renewal, recreating the AD plan and involving in it the government that is formed.

This is obviously very difficult, both for PSD and for CDS; because both of them are experiencing internal crises and have the obvious temptation of wanting to solve those crises before and with priority over thinking of the reciprocal commitments that they have assumed and maintain.

It is understandable that this should be the case, but there are limits that a minimum of common sense imposes on that contemplation of the navel which is one of the perversions of the Portuguese parties.

Transcending them there is the country, and there is the commitment assumed on 5 October, which is far more important than A's reasons against B, or backing from C and D, the maneuvers of the feudal barons now that the uncontested overlord is gone, or the moves made by young Turks, at a time when they are not confronted with the strategic adversaries of the past.

There has been a great deal of discussion during the past few days about who should be the prime minister of the next government.

It is only natural that the news media should do so, because they exist for that purpose.

The good sense of many good people in AD in trying to use the news media in these election campaigns as a sounding board is more questionable.

And if good sense is not quickly converted into a clear-cut, in-depth determination on the part of AD, the least that will happen is that the situation will resemble the historic scene in Byzantium, where the scholars discussed the sex of angels with their adversaries at the city gates.

Since 7 December, over 2 million AD voters have been awaiting,almost in vain, rather than the name of a prime minister, a word of hope for the future, and a sign that an AD plan exists and that it is worth believing in it during the years ahead.

A week has elapsed and there has not occurred,in a manner visible to the ordinary citizen, a single summit meeting of AD leaders, including current leaders of the three parties that comprise it.

Each day which passes, with increased expectation and speculation regarding individuals rather than plans for the future, is a day which passes against AD and the government that will be formed, whatever it may be.

At the least, this situation, if it continues, represents a complete lack of political vision; at the most, it is evidence of a lack of political memory: the lack of memory of those who claim to honor Sa Carneiro and Amaro da Costa, invoking their names and their accomplishments, and who are, from all appearances, incapable of responding with a national dimension, efficacy and speed to the first challenge (because it is only the first) that they have confronted since the unfortunate demise of those men.

P.S. On principle, an analyst never dedicates the analyses that he makes.

In this instance, we making an exception to mention at the end of this analysis someone who was also, when he wished, a clever journalist and a subtle political analyst.

We are thinking of Adelino Amaro da Costa who was on countless occasions a protagonist in these analyses, and with whom we discussed, "a posteriori," the vast majority of the articles that we wrote on this page for years on end.

This time, he is not here to discuss the future of AD with us, after all that has happened, namely, the defeat of a strategic presidential plan of which he was a great enthusiast.

Nevertheless, we would almost swear that we still expect, at any moment (as if it were possible) a Monday telephone call from Adelino Amaro da Costa, to disagree, in an extremely kind and provocative way, with what we have written, with the skepticism of these remarks, and with the criticism that we have voiced toward so many attitudes during the past 8 days.

Who can say, old Adelino, that you are not here to assess the after effects of these presidential elections? And how we miss you!

Role in Balsemao Government

Lisbon EXPRESSO in Portuguese 20 Dec 80 p 2

[Article by Manuel Rebelo de Sousa: "From the AD's 'Second Wind' to the Basic Requisites of Starting Up the Government"]

[Text] 1. A Summit, a Communique and a Second Wind

Last week, we discussed the political effects of the tragic deaths of Francisco Sa Carneiro and Adelino Amaro da Costa, as well as of the presidential elections of 7 December.

In brief, we explained why the Democratic Alliance must, within the shortest possible period of time, emerge with full force in the eyes of the Portuguese public, attesting to a political vitality that is particularly important during the time of government crisis that is under way.

We also cited the need for AD to reflect deeply on its political strategy for the next 4 years, so as to be able to choose conscientiously between two alternate scenarios, with quite different features, that would determine the structure, composition and main objectives of the Seventh Constitutional Government which is being formed.

To some extent, the response to these two questions marked the week now ending.

On the one hand, there were summit meetings of the top-ranking leaders of the Democratic Alliance parties, something which did not occur during the phase of selecting Francisco Pinto Balsemao. Of particular importance was the last summit meeting, held yesterday, and its revealing final communique prepared by Diogo Freitas do Amaral.

It was obvious that AD had rediscovered a new stimulus, a new pace and a second wind, to confront its own difficulties caused by the gap in leadership opened in the meanwhile and the adaptation of positions stemming from the results of the elections for the presidency of the republic.

Whereas last week was the week of the AD's manifest absence in the internal affairs of each of its parties, this week was, on the contrary, the week of AD's reencounter with itself.

On the other hand, underlying the summit meetings that were held and what is known about the formation of the government, there is a certain option for one of the two scenarios described here 8 days ago. Yesterday's communique was an example, recalling the guidelines of the AD plan and citing the position of the Alliance and its government toward the president of the republic and the constitutional revision; and, in particular, proclaiming the institutionalization of the Alliance.

AD appears to have opted to reinforce its unity to give strong backing to the Seventh Constitutional Government, surmounting interpartisan disputes and acquiring the conviction that it only has everything to gain from the success of Francisco Pinto Balsemao's executive branch and everything to lose from its failure.

This was actually the first victory for Balsemao since last Saturday, when the PSD's National Council named him to the positions of president of the party and prime minister.

At the outset, Balsemao met with the cold, not to mention extremely critical reaction of CDS, which was specifically reflected in the jibes from the party's National Council regarding the process used by the Social Democrats in selecting the new prime minister, a process which did not in the least attempt to preserve the consensus among all the members of AD.

And some centrist leaders went so far as to refuse a resolute backing from CDS for any government which Francisco Pinto Balsemao might form.

A week later, there is every indication that the picture has changed considerably, and Balsemao has managed to find among all the AD parties, particularly CDS, bridges for dialog which show that, after all, the centrists fully back the government, are willing to have some of their leading personages take part in it, and consider the minidispute that appeared regarding the designation of the prime minister virtually settled.

Moreover, all this occurred in an atmosphere wherein there was obvious concern on the part of Pinto Balsemao over stressing the reinforcement of AD's internal unity, while at the same time favorable expectations were maintained regarding his government among certain sectors of the Socialist opposition that are, furthermore, essential to the negotiation of any parliamentary agreement on constitutional revision.

2. Some Essential Prerequisites

This week, however, it is possible to go further in the analysis and to assess some basic requisites that must be met by the Seventh Constitutional Government as prior conditions for its strong takeoff.

Obviously, those conditions of themselves will not guarantee the success of the government. But they represent a considerable aid to the future and, particularly if they were not to be present, they would limit by their absence the operativeness and credibility that any executive branch with self-respect must show immediately upon taking office.

In brief, we would say that there are seven of these requisites:

1. The government will have to be a government which appears strong in the eyes of the ordinary citizen, as a result of a political pledge to endure, and not merely as a feeble solution resulting from temporary compromises and tolerance, without any stable, promising commitment.

2. The government cannot renege on backing the maintenance of the essential features of the strategy of the executive branch that preceded it, which were the main factors responsible for the electoral victory of 5 October, with emphasis on the economic and financial policy, and the social policy.

3. The government must have the strong support and active solidarity of PSD, which is the strongest member of AD and the most preeminent element of the parliamentary majority; and at the same time it must resist the temptation to foster, from the standpoint of compensation or internal party balance, the Social Democratic barons, even at the expense of the logic and efficiency that it is intended to lend the team that is being formed.

4. The government must be based on resolute backing from CDS and PPM, and for this purpose prominent national leaders of these two parties must be included among its members.

5. In addition, in its organization and its composition as well, the Seventh Constitutional Government will only gain by exercising a certain amount of creativity and imagination, not affecting essential sectors inherited from the previous executive branch, but proving that the new prime minister and the team backing him are capable of blazing new trails in political and administrative areas that have been unexplored to date.

6. A sixth factor in the enhancement of the government is the ability that it shows to expand its political spectrum within the AD area, specifically by opening itself to independent personages, in a moderate fashion,so as not to harm the partisan correlation of forces, but showing that it has a potential for attracting the active participation of individuals not alined with PSD, CDS or PPM, who are still totally integrated into the Alliance's overall plan.

7. Finally, an important requisite for this government is that related to its public image in the internal and external realm; an image which,as we know, largely determines the credibility that it can acquire in its political options and its actions as well.

We shall now comment on some of these conditions, leaving the rest for the next analysis, which will be published next Wednesday, because of the early issuance of EXPRESSO due to the Christmas celebrations.

3. Strong Government

The first basic requisite that the new government must meet relates to the greater or lesser soundness of its structure and composition, as well as to the degree of commitment among the political forces which are backing its implementation.

In order to be able to start up with credibility, the government must be strong; which entails personnel with an appreciable standing and also some speed in their formation.

They must be, primarily, personnel on the average political level, who are sensitive to the ordinary citizens.

The government cannot be formed on the basis of third or fourth ranking personages from PSD, CDS and PPM; otherwise, it would fail in the mission that is incumbent on it.

The government must include some of the leading national personages from the three parties, as an indication of the backing that the latter are giving for its future, and also as a sign of the vitality of the Democratic Alliance.

On the other hand, the formation of the executive branch cannot go on indefinitely, surrounded by the usual expectations and the typical speculation that always accompany a political process such as this.

The most feasible thing for Francisco Pinto Balsemao would be not to waste nor dissipate too much the heedful expectations of the public during the past few days, which will be followed by a reinforced curiosity throughout next week.

Even though they will not take office until the end of the first week in January, the government personnel on the ministerial level should be announced before the end of 1980, on one of the first days of the week beginning on 29 December, right after the inevitable break that many thousands of Portuguese will take starting on 24 December.

In this way, the hallucinating rate of reports and counterreports about the formation of the government would be halted.

At the same time, the period of nearly 2 weeks that would elapse before the government takes office would be more than sufficient to allow for the formation of the staffs of secretaries and undersecretaries of state.

4. Backing for the Economic and Financial Policy, and the Social Policy

A second fundamental aspect for the next government is the one associated with the continuity to be kept regarding the guidelines of the previous government, which brought it electoral success on 5 October: the economic and financial policy, and the social policy.

It would be ideal if, in these areas, the government did not depart to any great extent from the political orientation and that of the government officials of its predecessor.

Both Cavaco e Silva and Morais Leitao possess great prestige as a result of their government performance, and neither of them is, from the standpoint of political logic (and even morality), in a position to reject the continuation of the Seventh Constitutional Government.

Cavaco e Silva expressly backed Balsemao's appointment as prime minister, and was the author of the government bills not yet debated on budget and planning; and it would be difficult to understand if he should now put forth reasons of secondary importance to excuse himself from the ethical minimum represented by insuring the transition between governments, which is important to the parliamentary debate on the bills which he initiated.

Morais Leitao was a cornerstone of CDS in the government, of a CDS which peremptorily states that it is willing to give decisive backing for the success of the team that is about to start.

For these and other reasons, the government only stands to gain with the presence of the aforementioned ministers; and the latter can hardly, except for reasons based on essential political differences, decline a task that might prove essential to the political future of the Democratic Alliance.

We shall discuss the other five prerequisites for the formation of the government within 4 days, possibly in time for the churchyard procession.

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SUMMARY OF POLITICAL, ECONOMIC FACTORS INFLUENCING EEC ENTRY

EEC Candidate Spain

Florence POLITICA INTERNAZIONALE in Italian Oct 80 pp 32-41

[Article by Giancarlo Pasquini: "A Mature Meeting in Spite of Resistance"]

[Text] Spain, another country seeking admission to the EEC. In this article on Spain we continue the analysis of countries which are applying to join EEC (the earlier articles on Portugal and Greece were published in Nos 7 and 8-9, 1980). Because of its economic size and its geopolitical importance, Spain's entry into the Community looks more difficult and problematical. The latest episode in terms of time is the "slowdown," imposed by Giscard d'Estaing, on negotiations dealing with admission. Spain's long march toward Europe. The debate among the political forces after the return to democracy. Tormented diplomatic ways of Spanish candidacy and the critical economic factors which hinder integration.

Nobody is entertaining any illusions in Madrid political circles: Spain's entry into the European Community--which the administration of Adolfo Suarez considered to be sure and just around the corner, at most by 1983--will be postponed a few years and its trail will be more difficult and more tortuous. Gone is the easy optimism sustained by a general "political" consensus for Spain's application on the part of all of the countries of the EEC; swept away are the ambiguities which had accompanied, both on the Spanish side and on the Community side for 2 years of sterile negotiations, and the position of the Nine on the topic of Spain's joining the EEC (and, by the same token, Portugal's joining) is today quite clear: no negotiations can be advanced and certainly no negotiations can be concluded with the governments in Madrid and Lisbon if the Community does not first put its own agricultural and financial policy in order--policies which have been shaken by the attempts of London to achieve congruous reductions in its contribution to the Community budget, attempts which were silenced only temporarily as a result of the compromise worked out at the end of May in Luxembourg.

French President Giscard d'Estaing as we know opened the hostilities; speaking on 5 June to about a thousand representatives of the French Chambers of Agriculture-he said that the Community is experiencing serious operating difficulties due to

the rise of new and extenuating disagreements. This is a sign that the Community has not yet digested its growth from six to nine members and that its initial growth has been a severe test for the spirit and the instruments of Community policy. "Considering the behavior of our partners," Giscard concluded, "it would be a good idea for the Community to devote itself primarily to completing the first expansion before being able to undertake a second one."

The unexpected move by Giscard--upsetting the commitments undertaken by the French government toward Spain and Portugal--was inspired not only by election motives, as the French maintained to a great extent ("Through his statement," wrote LE MONDE, "the chief of state has deprived the communists and the Gaullists of a series of arguments which could have damaged him in the presidential elections"), but also expressed an isolated position in Europe, as the Spanish government had hoped it would, at first. The analysis presented by the French president--although tainted by a certain arrogance--was based on some undeniable realities and expressed a series of concerns existing in all countries of the EEC which however nobody had the courage to express as clearly. The French government--as Premier Raymond Barre explained in his quickie visit to Madrid (3 July)--was persuaded to ask for a "slow-down" in the process of expansion on the basis of the following motivations: (1) preventing the current Community from crumbling under the weight of new financial burdens caused by requests similar to those of Great Britain; (2) resisting the temptations of diluting the Common Market into a free-trade zone; (3) reassuring the farmers of southern France that their interests would be protected. Hence, to be able to undertake a second expansion--Barre explained--the Community must first of all review the financial rules and those of joint agricultural policy. To make sure that there will be no pause in negotiations with Spain and Portugal, it would be necessary for the Nine to agree--within a lapse of time compatible with the membership application negotiation schedule--on the new rules of community financing, on new ways of sharing expenditures, on the perfection of community agricultural policy (above all through market regulations concerning fruits and vegetables, the adoption of regulations on fats and a review of price support mechanisms). But this is practically impossible because, given the complexity of the subject matter, it takes much time. Hence--conclude the French--the pause is in the nature of things: you cannot add another floor if the foundation is not stable.

The French position was clear but what were the other members of the Community thinking? During the 12-13 June European Council meeting in Venice, the question was taken up only indirectly; nobody challenged Giscard's statements, nobody came out against France, in other words, an indication that the others shared the concerns of the French and accepted their ideas in substance. The Council as a matter of fact authorized the Commission, by June 1981, to submit reform proposals of its own concerning two points mentioned by Paris in justifying its attitude: the budget regulations of the EEC and the revision of joint agricultural policy. On the other hand, it seems unthinkable that the French government would have gone all the way to the rather risky point of a "freeze" in its relations with Madrid and to discard its own blueprint for restoring the Mediterranean balance of the Community, without being sure of having the agreement of the other member states. The confirmation that it was not only France that asked for a pause in the expansion process but that the Community as a whole wanted that came on 21 July at the end of a ministerial negotiation meeting between the EEC and Spain. The Nine admitted that the profound change for which the Community is preparing itself is bound to interfere with the expansion negotiations and they asked the governments in Madrid and Lisbon to be

patient and for the moment to agree to stand by and wait. The remonstrances of the Spanish minister in charge of relations with the EEC, Leopoldo Calvo Sotelo, were to no avail; he insisted in vain on the "contextual link" between the two processes: internal reforms within the EEC and negotiations with Spain.

The reply from Gaston Thorn, minister of foreign affairs of Luxembourg and current chairman of the European Council, left no doubts: negotiations for the identification of problems can continue but without touching either the agricultural issue or the fishing issue, which are the most important ones for Madrid, whereas regarding the other issues already taken up during the first phases of discussion, "further in-depth approaches might become necessary."

For the Suarez administration--which had placed all of its international bets on rapid integration into the European Community--this was a very hard blow which fell precisely in a domestic political situation which had already deteriorated. Suarez and his ministers found themselves unprepared in facing this unexpected rigid attitude and they handled the matter in a confused and contradictory style. At first, the Spanish government was thinking of skillfully parrying the blow struck by Giscard, confident that Paris was isolated in Europe. Said Minister Calvo Sotelo rather hotly: "It is not France that decides for everybody. Our negotiations are conducted with the nine countries of the Community, not only with Paris."

But when he realized that the other member countries, through their silence, also supported "the move made by Paris," the government was unable to come up with an effective and convincing line of defense. It tried to concentrate its fire on putting pressure on the Nine and, to do so, it picked the wrong way, linking its entry into NATO to the progress of negotiations for its admission to the EEC. In a long interview given to the Madrid daily EL PAIS, the then Foreign Minister Marcelino Oreja allowed himself to make some statements which, to put it mildly, were rather incautious: "I think that we can join the Atlantic Alliance shortly. In any case, prior to the 1983 elections. I believe that 1981 will be a good time to settle the problem." "But," he added, "we must ask for two guarantees: the first one is the return of Gibraltar by Great Britain; the second one is that the process of Spain's joining the EEC must take its proper course. A European attitude that is not in support of Spain would not permit Spain's presence in the Western defense organization. It would be absurd to think that Spain could join in the organized defense of a Europe which is not behind Spain on vital topics"[1].

This was not only an incautious statement but it was entirely out of place because it is the United States and not Europe that wants Spain to join NATO; Europe as a matter of fact looks upon this possibility rather with fear and suspicion since it would introduce a further element of disturbance into the unstable East-West equilibrium and would be considered by Moscow an act of hostility toward the Soviet Union--as German Chancellor Schmidt was heard to state repeatedly during his recent trip to the USSR.

Instead of just taking these things as they come or trying some useless diversions--wrote EL PAIS in one of its commentaries--the Spanish government should display realism and should review its European policy. "This is not a matter of dropping the European option, nor of seeking an alternate way which, by the way, does not exist. What we need right now is for Spain itself to take the initiative in deferring the negotiations with the EEC until progress can be resumed speedily and until

we can count on the unconditional support of the Nine. This grave decision should be preceded by a serious parliamentary debate and by a whole series of contacts on the very highest level with the nine countries that signed the Treaty of Rome"[2]. On that score, the debate has been started and the opposition is already sharpening its knives with a view to the return of parliament which looks as if it is going to be extremely lively. For the moment, the only thing the Suarez administration can do is to swallow this bitter pill. But before going on, it is a good idea to recall the main stages in Spain's l[illegible] march toward Europe.

Europe Facing Spain

The first move in Spain's approach towards Europe goes back to the early sixties, in the midst of the Franco regime. Spanish Foreign Affairs Minister Fernando Maria Castiella as a matter of fact in February 1962 sent a letter to the Community, asking for the start of negotiations to examine Spain's possible "association" with the EEC. At that time naturally the political conditions and the economic conditions for a step of that kind did not yet exist. The Community institutions as a matter of fact passed over Castiella's letter in silence, a silence broken only by a rather formal and cold response from the man who happened to be chairman of the European Council at that time, French Foreign Affairs Minister Couve de Mourville, taking note of the Spanish request.

But something moved underground. The Franco regime--which for the first 20 years of its existence had moved Spain further away from Europe, surrounding itself by a sterile autarchy--now turned around the other way in order to seek to adapt the backward and protected structures of its economic system to the laws and requirements of the international capitalist market and to try to catch up because Spain had fallen seriously behind Europe. As many historians recognize now, the regime, in facing an acute economic crisis which threatened to overthrow it, was able to renew itself from the inside, to open up to the most dynamic components of Spanish capitalism, to prepare the instruments and policies for what was to be defined as Spain's "second industrial revolution."

The decisive 2-year period ran from 1958 until 1959, with the admission into the government of the technocrats from Opus Dei and with the launching of the stabilization plan. As the American economist W. Anderson wrote, the fundamental premise from which the new Opus Dei economic team took its cue "is that Spain should join in the new growth processes of Western Europe, otherwise it would be cut off from an increasingly integrated and prosperous international industrial development. Foreign convertibility and the removal of trade restrictions were to lead to broader markets and greater economies of scale as a first step toward true economic integration"[3]. As a matter of fact, following the 1959 stabilization plan--which featured a series of measures aimed at domestic economic liberalization and rationalization, monetary stabilization, and a timely economic opening toward the outside world (lifting restrictions on trade, on capital, and on manpower)--the Spanish economy took off and was transformed into a free-enterprise economy, fully inserted into the international capitalistic market. In the meantime, as a corollary to these changes, Spain by the end of 1959 joined the OECD and later on the IBRD and the IMF.

This is not the place to discuss the economic results, the social and political costs of this process, its limitations and its numerous contradictions. In line with the matter we are interested in here, we must however cast light on some points.

(1) During that time, Spain moved from a phase of essentially agricultural development, dominated by precapitalist forms of production and by economic and cultural components typical of preindustrial social formations, toward a phase of capitalist development and intensive economic and social changes which turned it into a relatively advanced industrial country. During the decade of 1960-1970, the annual growth rate of the GNP averaged 7 percent in real terms while industrial growth was around 10 percent per year. Spanish society emerged profoundly transformed in all of its social, economic, and cultural aspects and approached the living standards predominating in the other countries of Western Europe, although there were still some areas of backwardness, some regional and sector imbalances, as well as marked social lag and injustices. The class makeup of the population changed radically: the agricultural component dropped from 41 percent in 1960 to 29 percent in 1970 and 21 percent in 1975; the industrial component went up from 31 percent to 37.3 percent in 1970 and 38.7 percent in 1975, while we observe a hypertrophic spread of the tertiary sector in which 40 percent of the active population were employed in 1975.

(2) Francoism, as a political system, accompanied and presided over these structural changes and was substantially influenced by them, to the point of itself being transformed although in a contradictory and almost imperceptible fashion. The regime was forced to recognize a certain organizational setup within the power establishment and to allow the existence of "current" inside it and, hence, the possibility of a turnover in political personnel, but it refused to yield to any form of liberalization and democratization. This is the main obstacle to Spain's fully joining the European Community. "The Community rejected almost any plan for an approach to Spain because that in point of fact could have turned into a sign of the regime's international legitimation. The France government for its part proved to be inclined to any compromise in terms of economic relations in order to get the benefit of a minimum consensus within the European framework"[4]. This circumstance persuaded the most open-minded and dynamic component of Spanish capitalism--interested in rapidly getting into Europe--to realize that Francoism was not only no longer necessary to economic growth but presented elements of growing contradiction with the basic points of such growth.

(3) From the beginning of the seventies onward, the Spanish economy structurally was inserted into the European Community because of the multiplicity of relationships and contacts linking it to the other European economies. Spain as a matter of fact is the EEC's fifth-ranking customer and eighth-ranking supplier and the EEC in turn is Spain's first-ranking customer and supplier; community investments in Spain--although very small compared to those of the United States--in 1975 accounted for almost 37 percent of the total direct investments. That means that integration is to a great extent a part of the facts of life.

The Political Mortgage

But the doors of Europe remained closed. The only tangible result, which the regime managed to obtain, was the conclusion of a preferential trade treaty, which took effect on 1 October 1970, a modest concession which grants Spanish exports less favorable treatment than those of the other third countries along the Mediterranean. The damage here is only political and, in keeping with the spirit and the letter of the Rome Treaties, the countries of the Community rejected any form of dialogue until the Francoist mortgage had been completely paid off and until Spain had adopted for itself a democratic political structure in accordance with the Western model.

The transition process, which was set in motion after Franco's death, took place in peculiar, and in many ways, unexpected forms when compared to the other historical experiences of "finding a way out" of fascism. This process was born and grew within the establishment itself, such as it was in power during the last phase of the Franco regime and the central "moving force" itself was the institution which was called upon to incarnate continuity, that is, the crown. Once on the throne, Juan Carlos realized that, if the monarchy in Spain wanted to have a political future and not remain a prisoner of the past, it would have to break away from the heritage taken over from Francoism and it would have to renounce the legitimation which springs from military victory in the Civil War; but he also realized that he had to move with extreme caution in order not to stir up the army and the extreme right which held key posts in the government machinery and which demonstrated a hostile and stubborn attitude toward almost any change.

The monarchy's blueprint therefore is aimed at reconciling Francoist legality with democratic legitimacy through a process of democratization rigidly controlled from the top. The tactic involves doing away with Francoism's institutional machinery, attempting the "democratic" recovery of those elements of the Francoist ruling class who less compromised with the past, coopting a good portion of the moderate opposition within the monarchy's blueprint. The operation was divided into two phases: during the first one, preference was given to the factor of continuity with the past and mediation between the forces inside the regime; during the second one (which began in July 1976 with the resignation of Arrias Navarro and the selection of Suarez as head of government), efforts were aimed--through the "political reform" approved by a referendum and the elections--at the attainment of democratic legitimacy which, without profoundly upsetting the power and class balances, would move Spain toward a democratic-parliamentary system of the European type.

To achieve this goal, the king drew support from those currents which proposed the so-called "centrist reformism," discarding both the "business-as-usual" approach of the right and the "democratic rupture" of the left-wing opposition groups. "Reformism" considered "change" useful and necessary in order to adapt the existing authoritarian institutions and structures to the social-economic changes which had sprung from the industrial development of the past several years and which demanded a different type of legitimation of the government and more articulated and efficient government decision-making and management instruments. They conceived the "reform" as a more less long bridge, one of whose pillars was the regime while the other one was representative democracy, viewed here as the terminal point in the process.

This is the blueprint which, with different shadings, was adopted by the capitalist bourgeoisie, by the world of high finance and banking, by the so-called civilized right, and by the broad strata of moderate public opinion. The unchallenged leader of centrism in the beginning was Fraga Iribarne, a rather recent refugee from one of the many Francoist "families," who kept the door open to various interpretations: from the simple formula oriented toward a wide-open approach, very close to the scheme outlined for the "political associations" all the way to the "European" approach which called for the interplay of political forces (to the exclusion of the Communist party and the groups to its left), along with universal suffrage but with a majority electoral system. Other men, such as Jose Maria de Areilza and Pio Cabanillas and other liberal and democratic groups promoted a more wide-open and liberal interpretation of reform but it was to be an outsider like Adolfo Suarez who would steer the ship into port[5].

It is as a matter of fact the Suarez administration which is completing the liquidation of the Francoist structures through a series of steps whose final phases involve the following: passage, through a referendum, of the "political reform" (15 December 1976), general political elections (15 June 1977), start of the constituent phase with the approval of the Constitution, first in the Cortes [Spanish Parliament] (30 October 1978) and then in a referendum (15 December 1978), new general political elections (1 March 1979) which terminated the period of transition and approved the return to a democratic system.

Europe viewed these changes with interest and attention and was full of praise and testimonials of admiration, going so far as to apply the term "Spanish miracle," to the painless transition from dictatorship to democracy--but it did not go any further from that point. With the harmful policy out of the way, economic problems came to the fore, influencing all realistic progress in negotiations between the Community and Spain.

Debate Without Emotions

Spanish candidacy for membership in the EEC was officially introduced on 28 July 1977, a few weeks after the first free elections, those of 15 June 1977, which launched the constituent phase. The European option was a historical and irreversible choice for Spain, shared by all political and social forces without distinction. In contrast to Greece and Portugal, where the left-wing parties--the Communist party in Portugal and the Socialist Party (Pasok) and the Communist Party (KKE) in Greece --came out decisively against the idea of having their countries join the Community, there was unanimous agreement in Spain on the part of all political parties represented in the Cortes. All of them considered the European choice a secure anchorage where the young Spanish democracy could be sheltered from always latent militarists and authoritarian adventures and where it would be possible to provide more dynamic and modernizing acceleration to economic development.

The differentiations and the distinctions came later, according to the methods, consequences, and admission time frame, without in any way challenging the basic decision. The most frequent charge which has been made by the opposition groups against the government is that it acted too hastily and that it concentrated exclusively on the time frame and the "calendar," without a prior domestic debate and without drawing up a worthwhile inventory of the conditions for joining the EEC and of the consequences which admission might have had as far as the Spanish economy was concerned. It was as a matter of fact necessary to wait until March 1979 to learn the results of a confidential report, prepared by the government, which outlined the maximum costs and benefits accruing to Spain from integration into Europe.

The policy of consensus, inaugurated by the "Moncloa Agreement" of October 1977--which assured the single-party administration of Suarez a benevolent neutrality on the party of the right-wing and left-wing opposition groups for the entire constituent period, in effect froze any serious debate on the topics of domes[illegible] foreign policy and many people thought that the position of the left-wing parties, especially the PSOE [Spanish Socialist Workers Party] and the PCE [Spanish Communist Party], on a critical topic, such as Europe, and foreign policy in general followed in the wake of the administration's policy, also due to the absence or insufficiency of clear definitions in the programs of those parties. But, as the

policy of the consensus gradually ran down, the dialectic between the parties resumed its course and, beyond the unanimity which had characterized and still characterizes the European decision, various prospective and anticipated strategic differences began to emerge in the positions of the major parties.

For the party in power, the UCD (Democratic Center Union), the European choice was closely identified with the Western and Atlantic choices and constituted a natural completion of it. There were no foolish neutralists or Third Worldist aspirations, although Spain's official participation in the Havana conference of nonalined nations, as an observer, and some speeches in the United Nations, might have caused one to think so. The United States remained the great ally it always had been and the "special relationship" with the United States, which goes back to 1953, must go on and must be perfected with the renewal of the Bilateral Military Cooperation and Assistance Treaty which is scheduled to expire in 1981. But the big project of Suarez-Oreja diplomacy (and of the UCD) is Spain's entry into NATO, soon, even at the cost of a frontal clash with the left-wing forces and a split in the country. In the view of the party in power, Europe is a community of states which, together, forms the biggest economic concentration in the world: its task should be to develop that economic and mercantile strength, nevertheless recognizing the political and military leadership of the United States and acting in close "interdependence" with the United States. However, the foreign policy of the Suarez administration over these past several years displayed not only dynamism and a capacity for initiative but also a certain independence.

The PSOE believes that the only way to build a socialist society in Spain is to link up with Europe: "The European dimension is necessary for the achievement of socialism. Any individual attempt by a country to avoid the mechanism of the market is doomed to failure, especially in the European countries where it is important to launch a process of transition to socialism, starting with an advanced economic and industrial reality in which socialism must be synonymous with liberty"[6]. For the PSOE, the prospects thus call for the transformation of Europe's political setup in a socialist direction, to be implemented gradually through the decisive but not exclusive contribution of the socialist and social democratic parties which are already in power in some countries. This is precisely why the PSOE--without denying Spain's position within the West and Europe--is promoting a policy of "active neutrality" which first of all signifies independence from the military blocs. It therefore is not in favor of Spain's joining NATO, not only because this would be harmful to the country but also because that would aggravate international tensions. In this connection, the PSOE asked that the NATO issue be decided by a popular referendum, a proposal which was firmly rejected by the administration which is thinking of resolving the issue through a simple vote in parliament. But not all returns are as yet in on that score.

For the PCE likewise the acceptance of Europe is part of a perspective of the elimination of blocs and the creation of an autonomous pole, capable of developing an effective effort toward the maintenance of peace, international collaboration, and the promotion of equal and democratic relationships especially with the Third World. The objective of the PCE's Eurocommunist Line therefore is not to accept the "Europe of the monopolies," subordinated to the interests of American imperialism, but the creation of a united Europe, endowed with a weight of its own, which would utilize the resources of the continent and which would enable it to play its own role in the international balance. The materialization of these changes

would require a coordinated effort on a European scale among the communist, socialist, and social-democratic parties as well as the progressive Christian forces. The PCO is also against Spain's joining NATO and is determined to fight to make sure that this will not come about.

The weakness of the left-wing parties however emerges as we move from general and strategic issues toward specific problems connected with "Europe such it is," mercantile and protectionist, intent on safeguarding national and special interests, little inclined to make concessions without getting something in return. In this area, the Spanish left has shown that it is far behind, devoid of any blueprints or alternate solutions and, as a matter of fact, it has given the administration a kind of blank check for negotiations with the Community, without having the strength to guide it or at least to influence it somehow.

The Diplomatic Road to Membership

Negotiations were launched formally in February 1979 and were immediately interrupted in order to be resumed concretely in September of that year. The opening of negotiations took place after the countries had accomplished two procedural steps: the presentation, by the Executive Commission of the EEC, of its "opinion" on Spain's admission (29 November 1978) and the granting, by the Council of Ministers, of a mandate to that Commission to negotiate with the applicant country (20 December 1978). The Commission's "opinion"--which consists of an accurate x-ray of the Spanish economy and the impact which admission would have on Spain and on the Community--was "favorable" to Spain's admission, but with a series of reservations, warnings, recommendations, and counterindications so as to give the impression of extreme caution[7]. From that time on however progress was rather scant and the negotiations--prior to the French "stop"--were still held up by the "identification of the general negotiating framework."

The dialogue between the Community and Spain was difficult from the very beginning not only because of the complexity of the problem and the greater political and economic substance of the country involved but also because it came to coincide with the energy crisis and the general slowdown of development which had spread to the entire economy of the Nine.

As we stressed in the beginning, the biggest difficulties came from the outside. The "political" consensus was immediate and without reservation, as Premier Suarez was able to see for himself during his trips to all of the European capitals between September and November 1977. The persuasion offensive launched by the Spanish government seemed to be successful. But after the moment of acritical unanimity had passed, doubts and confusion began to crop up and they grew gradually as it became necessary to move on from questions of basic principle to a concrete analysis of the problems and costs involved in membership.

The strongest resistance came from France. Both the communists and the Gaullists from the very beginning conducted a campaign of unusual virulence against the enlargement of the EEC to include Spain and Portugal. Marchais' PCF [French Communist Party] made itself the champion of the shabbiest and corporative interests of the farmers of the French south and promoted a campaign of mobilization "to defend the integrity of France against the threats of intolerable foreign commercial aggression," even going so far as to touch off an open break with the party of Carrillo. After

initial opposition, the Socialist Party--with reservations and warnings--came out in favor of admitting both of these Iberian countries.

The position of Giscard and of the French government was more balanced; both of them --while taking this resistance into consideration--were working toward the undertaking of restoring the balance of the Community in a southern direction, toward the Latin and Mediterranean countries, something which was dear to de Gaulle, feeling that this prospect was more important for France than the defense of special interests. This was a courageous choice, considering the French political situation, but it was always overshadowed by that situation and it led to a kind of comedy of errors.

Giscard as a matter of fact became the "godfather" of Spain's candidacy and declared solemnly during his visit to Spain at the end of June 1978: "To make sure that there will be not doubt, I repeat here in my name and in my government's name, which has just deliberated on this issue, that Spain's joining the Community is not only in line with a legitimate aspiration but coincides with the very nature of things and with the interest of Europe," although later on he added: "But it is certain that its implementation will cause serious and concrete problems for France, Spain, and the Community. Realism tells us that we must admit this. I am sure on the other hand that we will know how to resolve those problems if we manage to take the necessary precautions and put up the necessary safeguards." As the Spanish newspapers noted, these were important statements in terms of political intentions but they were not accompanied by any concrete commitments. The comedy of errors continued with its ups and downs until the statements of 5 June which we mentioned earlier and which represent a veto, albeit only a temporary one.

As far as Italy is concerned--the other EEC country involved in competition from Spanish agricultural products--no substantial objection has so far been raised to Spain's application. Both during the visit made by the then Prime Minister Andreotti (5-6 September 1978) and during the recent visit by President Petrini and Minister Colombo (16-20 May 1980), the Italian government leaders always expressed Italy's unconditional support for Spain's admission to the EEC (the only note of dissent came from Agriculture Minister Marcora).

"Italy always with utmost favor looked upon the candidacy of new democratic Spain for admission to the European Economic Community," Andreotti told Efe news agency on the eve of his journey to Madrid. "I do not believe it is possible to put Europe together economically and politically without the fundamental support coming from a great country such as Spain." Andreotti likewise did not overlook the difficulties: "On the other hand, I am familiar with the many problems which exist both in the agricultural sector and in the industrial sector before we can enlarge the Community. In the case of Spain, the political determination to overcome the difficulties is particularly strong. I therefore do not think that the difficulties in the negotiations could reduce our favorable position regarding Spain's rapid admission to the Community." Similar and even warmer statements came from President Pertini, although not without his having first received the explicit approval of the Cossiga cabinet. But during specific diplomatic negotiations, Italy is playing a delaying role, protected by the very obvious reluctance of the French.

No special reservations came from West Germany and the countries of Northern Europe which do not have any bones to pick with Spain and which have no reason to fear

competition from Spanish agricultural or industrial products on their market. However, the FRG proved worried about the effects which the free movement of Iberian manpower might have on the labor market as well as the costs of extending social and regional policy to Spain in the light of the already overextended budget of the Community, while the countries of Northern Europe express confusion regarding the institutional functioning of the Community following its enlargement from nine to 12 members, considering the current voting system. In recent times, we have detected some rethinking on the part of the Germans and it is probable that Chancellor Schmidt shares Giscard's apprehensions, also for the sake of the "entente cordiale" [good neighborly relations] which had developed between these two countries.

This brief review clearly brings out the definite discrepancy between the basic statements and concrete action. Without denying the existing difficulties, we must however admit that the thing that is lacking is the political determination. Technically possible solutions do exist and have already been outlined in many studies and proposals both from the Spanish side and the Community side. The Nine can respond to the problems raised by the Community's enlargement toward the Mediterranean not with the technique of postponement. A grand historical design, such as this one--by which we measure Europe's capacity to become a factor of political rally and unification of the continent--cannot be made subservient to a rather banal trade contest, nor could one think of balancing the reciprocal advantages and disadvantages by coming up with a simple zero result.

FOOTNOTES

1. Interview with Foreign Affairs Minister Marcelino Oreja in the daily EL PAIS, 15 June 1980. In the course of the ministerial reshuffling announced by Suarez on 8 September, Oreja was replaced at the head of the Foreign Ministry by Jose Pedro Perez Llorca, a "young lion" rising in the UCD. The minister in charge of relations with the EEC, Leopoldo Calvo Sotelo was "promoted" to vice premier of the government, with the job of supervising economic policy in place of Abril Martorel, while a Catalan technocrat of international renown, by the name of Eduardo Punset Casals, took over his job.

2. Pablo Sebastian, "France Forces Spain to Revise its Policy toward EEC," EL EL PAIS, 6 July 1980.

3. W. Anderson, "The Political Economy of Modern Spain," University of Wisconsin Press, 1970.

4. Luigi Troiani, "Ampliamento della Comunita a Grecia, Portogallo e Spagna" [Expansion of Community to Include Greece, Portugal, and Spain], AICCE (Italian Association for the Council of the Communities of Europe), Rome, 1979.

5. For a more in-depth and detailed analysis of transition in Spain, I would like to refer the reader to my article entitled "The Precarious Balances of Spain" in IL PONTE, November-December 1977.

6. Interview with Luis Yanez, PSOE official in charge of international relations, EL PAIS, 9 March 1979.

7. See the EEC Commission, "Opinion on Spain's Request for Admission," BOLLETTINO DELLE COMUNITA EUROPEE, Supplement 9-78, 1979.

Crucial Economic Issues

Florence POLITICA INTERNAZIONALE in Italian Oct 80 pp 37-38

[Text] Here, in summary, are the essential probelms which Spain's admission to the EEC will create both for the Spanish economy and that of the Community in some of the most important production sectors.

Agriculture

The agricultural sector in Spain employs 2.5 million persons (20 percent of the gainfully employed population) and contributes 9 percent to the formation of the gross domestic output whereas in the Community this sector contributes 4 percent to the gross domestic output, with less than 8 percent of the active population. This figure tells us that agriculture is still a fundamental element in the Spanish economic structure and at the same it shows us its low productivity level. As the study by the EEC Commission states: "The Spanish agricultural structures in overall terms prove to be less efficient than those of the Community" for a series of reasons, including the following: "The joint existence of tiny farms, reduced to a subsistence economy, and very large but underutilized estates; insufficient mechanization and insufficient vocational training." This would require Spain to launch reorganization and rationalization programs and the Community would have to make considerable efforts to reduce the productivity gaps between the Community's farms.

Spain's agricultural exports, which account for almost 23 percent of the total export volume, play an important role in the country's balance of trade. About 58 percent of these exports are directed toward the current Community while only 10 percent of the Spanish agricultural imports come from the Community. Spain's agricultural balance however shows a deficit since it is heavily dependent on fodder cereal imports (corn), oil crops, as well as dairy and cheese products and beef. The Community has a surplus in these latter two types of products and that surplus could be slightly reduced whereas in the case of the other items: "The inclusion of Spain would cause a deterioration in the Community deficit which would make the EEC even more dependent on the world market, particularly the North American market, for its supply."

It must however be noted that about 40 percent of Spain's agricultural output is of the Mediterranean type (vegetables, fruits, wine, tobacco, olive oil, and cotton) and that Spain has considerable surpluses in these sectors. "Adding to this the fact that cost of Spanish manpower for a certain time will continue to remain below that of Community manpower, this element," according to the Commission document, "could lead to a strengthening of the competitive position of Spanish agriculture, to an increase in the surplus of the enlarged Community and to a reduction of the existing low level of complementarity." In a Community enlarged to include Spain, the in-house supply rates would go up from 50 to 83 percent for citrus fruits, from 85 to 90 percent for other types of fruit, from 96 to 102 percent for tomatoes, from 98 to 100 percent for vegetables, from 103 to 123 percent for olive oil, and from 100 to 102 percent for wine, without considering that "the adoption of the mechanisms of community agricultural policy and, in particular, of the price levels

and guarantees, would stimulate the development of the production potential, bringing about an increase in the investments attracted to prospects of greater profitability."

Hence, admission turns out to be good for Spain regarding the agricultural sector whereas it proves to be disadvantageous for the rest of the Community which would experience an increase in the surplus of some products and which would particularly damage the southern parts of France and Italy whose Mediterranean products are not competitive with similar Spanish products.

Industry

The industrial sector employs 38 percent of the active population and contributes 41 percent to the gross domestic output, a figure comparable to that of France and the Low Countries. Production is distributed among the various sectors in the following manner: 2.7 percent for extraction industries; 6.3 percent for gas and electricity; 91 percent for the manufacturing industry (including metal working with 27.9 percent; transportation equipment with 18.4 percent; food, beverage, and tobacco industries with 16.5 percent; shoes and leather with 10.8 percent; and chemical industry with 13.4 percent).

From these statistics we can tell that the Spanish industrial machinery is concentrated on traditional sectors with low or average technology but, starting in 1975 --as revealed by a study prepared by J. Sassoom and R. Walker, "Spanish Industrial Growth and International Competivity," LO SPETTATORE INTERNAZIONALE, No 3, 1979-- we note a considerable growth in the modern sectors and a decline in the older sectors as a result of the industrial reorganization policies launched by the government. At any rate, the international competitive indexes remain low in sectors with high technology whereas they are high in some sectors such as the steel industry, the textile industry, shoes, clothing, etc., where however the competition of similar products, coming from some of the developing countries, is emerging very powerfully.

Industrial products represent three-fourths (75 percent) of the total Spanish export volume and the EEC takes 43 percent of that (1977). Considering the entire period of time between 1970 and 1977, we note that Spanish industrial exports to the countries of the EEC remained constant in terms of time, while those to the United States slipped (from 17 down to 10 percent); on the other hand, exports went up to the developing countries, with Latin America and the Arab oil-producing countries first of all. This means that the natural field of expansion for Spanish industrial exports would not be in Europe but in the Third World.

With a view to membership admission how[illegible]sh industry should make further adaptations and reorganization efforts. [illegible]icular it should: (1) eliminate the tariff imbalance existing with respect to the [illegible]mmunity. The tariff reductions, provided for in the preferential agreement of 1970, were implemented at an average of 57 percent on the community side as against 26 percent on the Spanish side. This tariff reduction would severely strike Spanish industry and in particular those enterprises which grew as a result of the protection furnished by a high customs tariff; (2) eliminate the abnormal conditions of competition, especially from the fiscal viewpoint, through the introduction of the VAT system, the moment the country is admitted to the Community.

In the sectors, where Spanish output would be added on top of that of Community industry, which already has a surplus capacity (steel industry, textile industry, shipbuilding), it will be necessary to implement coordinated reorganization and production capacity reduction policies. Other problems will arise in the fishing industry where the Community is asking for a redimensioning of the fishing fleet and a reduction of the fishing possibilities of Spain in the Community zone.

5058
CSO:3104

CHRISTIAN DEMOCRATS IN SEARCH OF ALTERNATIVE TO SUAREZ

Bilbao EL CORREO ESPANOL in Spanish 2 Dec 80 p 23

[Excerpts] Madrid, 1 Dec (EFE)--Inigo Cavero and Fernando Alvarez de Miranda stated today, at one of the "breakfasts at the Ritz," that no plans had been set forth and that nobody had asked them to participate in any action against President Suarez, and that the Christian Democratic party had no strategy to occupy positions of power.

Inigo Cavero, minister of culture, and Fernando Alvarez de Miranda, ex-president of the congress of deputies, represented the Christian Democrats as guests at a round of breakfasts with members of various ideological sectors of the Democratic Center Union [UCD] in connection with the forthcoming congress. In this regard it should be pointed out that Jose Luis Alvarez and Oscar Alzaga declined the invitation because, as they said, they are not Christian Democrats.

Although Suarez' leadership role will not be taken away, as far as Fernando Alvarez de Miranda is concerned, it is necessary to have a confrontation of leaders at the next congress because "the unity of command has connotations that I don't even want to think about, and that is why various alternatives to Suarez must be proposed within the UCD."

Inigo Cavero has a different opinion: "In a party organized around the presidency, the leadership of Suarez cannot be questioned because that would weaken the party and consequently the government."

Later on, Inigo Cavero pointed out that the only man capable of confronting Suarez is Suarez himself, whereas Fernando Alvarez de Miranda indicated that it is necessary to have an alternative to Suarez, or at least the hope of an alternative.

Both Cavero and Alvarez de Miranda denied having contacted the president of the congress, Landelino Lavilla, to present him as an alternative to President Suarez, and denied any type of action involving the president of the congress.

Also, the two politicians concurred in stating that "the problem of the UCD is not Suarez but rather to convince the country that the solution that the UCD offers is the right one and that any other party would make it worse."

On another occasion they said that the Christian Democrats of the UCD are not organized as a group or along a particular line, that they get together for dinner

from time to time more for the sake of old friendship than for political reasons, and that they have not calculated the Christian Democratic strength at the next congress.

"A few motions have been offered," they added, "with a view towards democratizing the party and consequently limiting the powers of the president, but we are aware that our theses are not going to prevail."

Discrepancies in the Coalition Government

Regarding a possible coalition government, the two Christian Democrats were in disagreement; for Inigo Cavero a coalition government would weaken democracy and for Alvarez de Miranda this type of government is justified by the weakness of the democratic system.

Both Christian Democrats stated that, although nothing spectacular is going to happen at the next congress, it will be important to improve the statutes and this will be carried out to give more leeway to the executive committee and to make political advice possible which--they added--would bring as a consequence a limitation of presidential power.

As to international affiliation, they were also in disagreement; whereas Alvarez de Miranda defends the need to make a decision now, Mr Cavero considers it premature to identify with any of the international political organizations.

In this respect, Alvarez de Miranda emphasized that the reason the UCD lacks an ideology is that it is heir to Franco's sociological doctrine, which was not politically defined, and now it must recreate its own ideology.

Mr Cavero, on the other hand, says that the UCD embodies social democratic and Christian democratic liberal principles and that no particular emphasis can be placed on either of these leanings. "We do not like to boast of being progressive," he concluded, "but we do not accept that others have a monopoly over that description."

9674
CSO: 3110

OVER 200,000 ATTEND ACT IN MEMORY OF FRANCO, PRIMO

Larger Crowd This Year

Madrid YA in Spanish 25 Nov 80 p 61

[Text]

The EFE photograph shows a view of the Oriente Plaza packed with people, as were other adjacent streets.

On Sunday, the Oriente Plaza in Madrid was the scene of a popular tribute to the memory of two important figures of contemporary Spain on the anniversary of their death: Francisco Franco and Jose Antonio Primo Rivera. As in past years, this massive gathering was convoked by the National Conference of Veterans. Every year a greater number of persons has responded to the call to the meeting, which this year had as its slogan: "For the unity of Spain and for hope in its future." The organizers report that 1 million people were in attendance; the Municipal Police estimate 275,000; the EFE and EUROPA press agencies give the figure of 350,000 and 300,000 respectively; "Off the Record" reports 400,000 people. All agree that a greater number attended this year than last year. Taking part in the ceremony were political leaders Luis Peralta Espana, Juan Saenz Diez, Blas Pinar, Raimundo Fernandez-Cuesta and Jose Antonio Giron de Velasco.

'Caudillo' Blas Pinar

Madrid ABC in Spanish 25 Nov 80 p 7

[Article by Carlos Maribona]

[Excerpt] On Sunday a huge crowd attended a ceremony in Madrid's Oriente Plaza in memory of Franco and Jose Antonio. It was organized by the National Conference of Veterans under the slogan: "For the unity of Spain and for hope in its future."

Although the numbers furnished by the organizers, the Municipal Police, and the Ministry of the Interior are very different, it is certain that the attendance was very large, with the participants overflowing the Oriente Plaza and some of the nearby streets. There is general agreement that the number attending was greater on this occasion than in previous years.

Along with the larger attendance, it should be pointed out that last Sunday's gathering was marked by a tone of moderation, both from the speakers and those attending. The speeches had a less emotional tone than usual, and among the people present there could be seen fewer blue shirts and party emblems, while the number of Spanish flags, emblems and stickers with the national colors was very high. The people carrying them were of all ages and social backgrounds, although most were youths and people of middle age and middle class. They proceeded in an orderly manner to the site of the gathering all through the morning. The sunny weather in the morning increased the attendance.

Antiterrorism Placards

By 1230 hours, when the ceremony began, the plaza was completely full, and even though there were some open spaces in the area near the Opera, the congestion of people next to the speakers' platform made passage difficult. Many placards were displayed, almost all of them condemning terrorism.

In the area nearby there was a sizeable but very discreet police presence as a precaution against any incidents; however, none occurred at any time. The Red Cross also sent a great number of personnel to the scene of the gathering. They had to be called on numerous occasions, since the heat and crowding caused cases of fainting and collapse, none of which were very serious.

The ceremony began with some words from Luis Peralta Espana, secretary general of the Veterans Association, who greeted those present, and said: "Here is Spain." He said that the significance of the meeting was partly religious and partly patriotic, and recalled the names of Jose Antonio and Franco. He requested the public to leave without any incidents once the ceremony was over, "because you have already given witness of your courage and patriotism by your presence here." Later the prayer for the fallen by Sanchez Mazas was read amid complete silence, and the conciliar bishop of the Veterans Association, Monsignor Gonzalez Ferreiros, prayed a responsory for the souls of Franco and Jose Antonio.

Juan Saenz Diez, leader of the Traditionalist Communion, criticized the split "which is leading us into anarchy," and made a reference to the Spanish character of Navarre, criticizing the "Hitlerian racism" of certain Basque parties.

Blas Pinar, president of the New Force, spoke next. Amid shouts of "Caudillo Blas Pinar," he asserted that the time had come to say "enough." Pinar's speech was continually interrupted by applause from the crowd and by various outcries against the ETA [Basque Fatherland and Liberty Group] and in remembrance of Franco.

Blas Pinar declared that this gathering around him was a sign that his movement was unstoppable. He reminded them that it existed in the Basque country, especially in Vitoria, and in the congress, where, he said: "We have come in by the great door of ideological clarity." He then stated that the ceremony was not just a memorial, but a gathering in defense of the family, of the education of our children, for restoration of moral order, for effective power and the abolition of terrorism, for proper housing, for jobs, for wages and for confidence in the future.

He concluded, amidst a great outburst of applause, with the cry of "Forward Spain!"

Support With Votes

Raimundo Fernandez-Cuesta began his speech with a greeting "to the 1 million people gathered here;" to which many of those present responded with shouts of "More, there are more!" He said that it was not just a crowd of nostalgic people, but that "we are thousands and thousands of Spaniards loudly protesting in full force the imminent risk faced by Spain." He alluded to Felipe Gonzalez' intention of banning some publications, to which the audience responded with a chorus of whistles; and he added that young and dynamic representation was needed in congress, and that those present should not just limit themselves to applause, but should support the national forces with their votes.

The last speaker was Jose Antonio Giron, who stressed several times that he came to call for unity, which is what the Spanish people are crying for. "Redeeming unity, demanding and militant unity, to make possible the recovery of Spain."

Then the songs of the Legion, "Oriamundi" and "Cara al Sol" were sung, and the ceremony closed with the national anthem. Most of the crowd followed this by raising an arm in the air. At the conclusion, the throng dispersed through the nearby streets without incident. However, the large number of people caused massive traffic tieups; many cars displaying Spanish flags could be seen, and some vehicles later traveled through various Madrid streets sounding their horns.

Different Numbers

Figures as to attendance at the gathering in the plaza vary greatly, as they do every year. Thus, the organizers say that almost 200,000 more people attended this year than last, and they report the figure of 1 million participants.

The agency EFE, citing sources from the governmental police, says that the number gathered was 300,000. EUROPA PRESS, for its part, estimates attendance at somewhat more than 300,000 persons.

The Civil Government does not give an exact number, and limits itself to saying that attendance was approximately the same as last year. We recall that on that occasion this Civil Government gave out the figure of 200,000 people.

8131
CSO: 3110

NATO SECRETARY GENERAL ON TURKEY'S ROLE

Defense of Gulf

Istanbul CUMHURIYET in Turkish 23 Dec 80 pp 1, 7

[Interview with NATO Secretary General Joseph Luns by CUMHURIYET correspondent Sedat Ergin in Brussels; date not given]

[Excerpts] Question: The main topic currently discussed within NATO is how to counter threats that the alliance may have to encounter outside its frontiers. How was the discussion of this concept--which envisages certain changes in NATO's strategy--started?

Answer: It is clear that the Western countries have vital interests also outside NATO which may be threatened. I believe, nevertheless, that expanding NATO's frontiers is not a good idea. Let me explain the reasons: If we shift our forces in Europe to other areas, it will be difficult to defend Europe. If NATO expands its frontiers, this would mean a third world war. If the United States moves its forces from Europe, the European allies will have to fill the gap.

Question: Last week the NATO defense ministers emphasized the importance of providing "transit facilities" for the defense of the Gulf. How do you view Turkey's position from the "transit facilities" point of view?

Answer: When a specific moment comes, it can't be said that the United States would not make a request to Turkey in this respect. Let us think about it then. However, it is absolutely natural for a country whose interests lie in the same direction to extend such a help. I don't therefore imagine that there will be any difficulty in this direction.

Question: You mean you hope that Turkey will extend this facility when the need arises. Is that it?

Answer: As you say, we cherish such a hope.

Question: Turkey's responsibilities are confined to its NATO obligations. In that case, aren't bilateral agreements necessary--apart from those within NATO--regarding the facilities to be extended?

Answer: This can be the subject of special negotiations to be held between the United States and Turkey. Let me add this: Turkey's help may not be necessary or imperative. However, I envisage that reinforcements may be rushed over Italy and then over southern Turkey. But I am not a strategist; I don't wish to embark on speculations in this respect.

Question: Compared with last year's NATO meetings, this year the question of the defense of the Gulf has been frequently emphasized. Is NATO turning its attention to the Gulf?

Answer: The occupation of Afghanistan by the Soviet Union has naturally compelled us to concentrate our attention on the problems in this part of the world. We are discussing all the issues which affect our interests in this region. Turkey plays an important role within the mechanism of these consultations. It is logical in the end that we should attach more importance to the Gulf, particularly when we remember the unending occupation of Afghanistan.

Question: Another point which was stressed at this year's NATO meetings was the fact that the strategic importance of the Mediterranean region has increased because of the situation in Southwest Asia. In what way does this affect Turkey?

Answer: Let me say this first: The communique carries Turkey's approval as well. It therefore affects Turkey as much as it affects Holland. I wish to draw your attention to the strategic importance of the Gulf and the oil route in this region. The Soviet Union should think twice before provoking our NATO allies. The disruption of the oil route will affect the United States and Europe as well as Japan in similar manner despite their distance from the area.

Question: After an interval of 6 years, Greece has returned to the military wing of the alliance. But there are still several issues pending solution. What kind of procedure will NATO follow in respect of determining the status of these issues in general and of the Aegean Control Command in particular?

Answer: The parties most closely concerned with the issue, that is Turkey and Greece, will begin negotiations. General Rogers, who has accomplished an excellent job in securing Greece's reintegration into NATO, will undoubtedly help again. I believe that this aspect of the issue will take some time.

Question: As far as I can gather, the bilateral talks will be held in two stages. First the transitional status of the Aegean will be discussed and this will be followed by talks on the final status... Isn't that so?

Answer: It could also be tackled in 3 or 4 stages. We shall all see how things develop.

Question: Shouldn't there be two separate statuses, one transitional and one lasting?

Answer: Yes, at first a transitional settlement can be worked out. In the meantime a more lasting settlement can be negotiated. This is not an easy question.

Question: This means you are admitting that the acceptance of the Rogers plan has not brought full settlement to the issue and that it is still in abeyance.

Answer: Yes, just like all the other issues which are constantly with us...

Question: The Middle East is going through a critical period. We observe new developments every day. How do you see Turkey's position in the Middle East in view of the fact that it is the only NATO country having common borders with the region? What kind of roles can be played in the political arena?

Answer: Turkey's importance and effectiveness in the region is greater than that of all the other countries, with the exception, perhaps, of the United States. Turkey has strong ties with the Arab countries. It is my conviction that the Arab states are more open to advice from Ankara than from any other country. Therefore, Turkey's silent diplomacy carries much weight in the region.

Question: How do you view the political situation after the 12 September military takeover?

Answer: We observe that a successful campaign is being waged against terrorism which is a serious wound. Also, the possibility afforded to Greece's reintegration into the military flank of NATO has caused deep satisfaction. We also observe that Turkey's responsibility toward NATO is strongly continuing.

Question: What are your views on the subject of Turkey's return to democracy?

Answer: This is a matter that concerns Turkey. We know that when the right time comes, the Turkish Government will return to democracy as early as possible.

'CUMHURIYET' Comment

Istanbul CUMHURIYET in Turkish 24 Dec 80 pp 1, 7

["The Truth Behind Events" column: "Luns' Interview"]

[Excerpts] What would Turkey's role be in plans drawn up in Washington with regard to the Middle East and the Gulf region? Each passing day makes the answer clearer. On the basis of the above, the interview granted by the NATO secretary general, Joseph Luns, to daily CUMHURIYET [23 December] in the wake of NATO's winter meetings, contains interesting expectations.

Putting it laconically, the NATO secretary general, Mr Luns, tried to imply that "in the very near future Washington will be knocking on your door." The impression we have gathered from diplomatic circles up till now indicates that American officials are at the moment engaged in making soundings. However, the general view is that when President Reagan takes up office in the White House as of 20 January, Washington will officially knock on Ankara's door. This stems from the conviction of American officials that insofar as the Gulf strategy is concerned, "Turkey is indispensable."

According to the NATO secretary general, when its door is knocked, Ankara will not make things difficult for the United States over the question of "facilities." This, probably, is Mr Luns' personal assessment. At least it is hoped to be so, because Turkey's interests lie not in its assuming the role of "gendarmery" in the region but in trying to establish balanced and impartial relations in the Arab world.

'MILLIYET' Comment

Istanbul MILLIYET in Turkish 24 Dec 80 p 6

["Telex" column by Teoman Erel: "Transitional Solution"]

[Excerpts] In his latest interview granted to CUMHURIYET, NATO Secretary General Luns responded in these words to a question as to whether there would be two different statuses, one transitional and one permanent, in connection with the Aegean: "Yes, at first a transitional status may be needed. In the meantime a more lasting status can be negotiated. This is not an easy matter."

Remembering for a moment the warnings of some of our experienced diplomats to the effect that transitional statuses are usually the most "lasting solutions," we shall try to evaluate the matter from a different angle:

We wonder whose interests are served when certain inflamed issues are frozen by certain concessions?

Will the Greeks and the Greek Cypriots show better understanding in the future? Will the Greeks, who have secured some equilibrium in the de facto situation in the Aegean and managed to return to the military wing of NATO, and the Greek Cypriots who are trying to return to Varosha without any commitment for the future, give up their policy of "putting forward successive demands" now that they have the support of the West?

Experienced diplomats in Ankara do not seem to cherish any optimism in this direction. And yet, efforts are being made to find ways and means of facilitating a transitional settlement in Cyprus as well, just like in the Aegean...

It is an open secret that the suggestions of our Western allies weigh heavily in pushing us toward behaving in the way we do.

It is felt that the United States and NATO are trying to smooth the differences between Turkey and Greece as early as possible, even if temporarily, in order to assign Turkey a more active role in the Middle East.

They have begun to talk about it openly. In his interview referred to above, NATO Secretary General Luns has advocated that Turkey should play a more active role in the defense of the Persian Gulf and in matters concerning the Middle East.

This is how Luns thinks it should be:

1. We should contribute to the dispatch of the U.S. intervention force to the Gulf.

2. We should indulge in such diplomatic activity as to be conducive to Western defense by using our strong ties with the Arab states.

If we are to assist through diplomacy in the attainment of peace, this is possible and useful, provided we do not take sides in the issues of the Arab and Islamic states and provided we do not get involved in their internal disputes. If the Western powers force us into such disadvantageous positions, our diplomatic influence in the area would suffer setbacks and our chance to offer facilities would vanish...

Contributing to the dispatch of an early U.S. intervention force to the Gulf region is a dangerous engagement that may blacken our future in the area. And yet, we are facing rapidly increasing suggestions in this direction.

The concept of sending an early U.S. intervention force to the Gulf in transit over Turkey is not such a natural and simple action. Western military authorities do not hide the fact that this would mean a need for the further development of logistics services on the U.S. bases in Turkey, the expansion of our ports and the U.S. military depots on our territory which would be made available to the early intervention force and also the further improvement of the capacity of some of our airfields.

At this stage, the steps to be taken by our government are of paramount importance. Foreign Minister Ilter Turkmen had stated some time ago that the facilities to be requested from Turkey could not be extended without first concluding a bilateral agreement with the United States.

We have not, however, hitherto seen any statement indicating that talks covering these topics are being held. It seems, therefore, that Uncle Sam is in a hurry as well as determined.

Under these circumstances, the government and the administration have to act very cautiously. If we agree to transitional--and painful--statuses in Cyprus as in the Aegean, and if we get involved in dangerous and permanent engagements in the Middle East, our headaches are bound to increase to the extent of becoming incurably chronic.

CSO: 4907

TAX PACKET PROVISIONS EXAMINED

Istanbul CUMHURIYET in Turkish 25 Nov 80 pp 1,7

[Article by Yalcin Dogan]

[Text] Information obtained on the details of the 21-bill tax package which has been submitted to the National Security Council [NSC] following discussion by the Council of Ministers indicates that important innovations are being made. Some interesting points in the package, which the NSC has begun studying section by section, follow:

1. The Fiscal Balance Tax is being dropped.

2. Declaration tax obligants and commercial and independent professional businessmen who report their income by declaration will pay their taxes in advance. They will pay between 50,000 liras and 800,000 liras in advance taxes.

3. For the first time the "deduction at the source" method will be introduced in agricultural taxation in Turkey and the rate will 5 percent.

4. At least a 12,000 liras tax per year is definitely envisaged on commercial earnings.

5. The scope of expenditure taxes is expanded, but the rate of this tax which is 36 percent is dropped to 12 percent.

6. An amendment to the tax procedure law requires every workplace to post the annual tax it pays in a visible place (shop, taxi, etc.).

7. Brokers are included in the scope of the bank and insurance transaction tax because of their procedures.

8. Existing income tax immunities for the disabled are dropped, but the disabled will be divided into two groups for taxation purposes.

9. The existing 10,000 lira exemption from original works earnings is raised to 100,000 liras per year.

10. The establishment of tax courts is envisaged for the solution of tax disagreements.

11. The penalty for paying taxes late remains at 10 percent for the first month, but is raised from 2 percent to 3 percent for subsequent months.

Fiscal Balance Tax

According to the law now in effect, income tax obligants pay a 3 percent fiscal balance tax. The new bill reduces this tax in stages. In 1981, the tax will be reduced to 2 percent, in 1982 to 1 percent, and in 1983 it will be lifted entirely.

Expenditure Taxes

The general scope of expenditure taxes is expanded, but the tax rate is reduced. The expenditure tax rate at the moment is 36 percent. This rate is reduced to 12 percent in the bill. Among the major items included in the expenditure tax are cloth production, soft drink production, cupola furnaces (furnaces used in the casting industry) and yarn used in making pile and woven rugs. While the tax rate on yarn which is 36 percent will be reduced to 12 percent, the 50 percent tax rate in the glass industry will be reduced to 15 percent. Rug yarn has been exempted, but comes under the tax in the bill.

Brokers Will Pay Taxes

After passage of the bill, every broker operating in the market will be subject to bank and insurance transaction taxes. Moreover, the present bank and insurance transaction tax rate will be lowered. The rate is now 25 percent. The bill lowers the rate to 13 percent.

Building Construction Tax

Another topic on which there is a change in the form that came out of the Council of Ministers and submitted to the NSC is the building construction tax. The important change has to do with scope.

According to the present law, construction inside municipal limits is taxed. After passage of the bill, this limit will be expanded to include construction in adjacent areas also. According to the definition in the zoning act, adjacent areas are the probable growth and residential areas of cities. The bill will tax construction outside municipal limits but inside adjacent areas.

Another innovation on this point has to do with collection of the tax. According to the rules in effect, a housing permit has to be obtained in order that building construction taxes can be collected. Now this condition is dropped, allowing collection of the tax on the construction of the building itself, disregarding housing permits. Another change in the building construction tax has to do with exemptions. Present practice exempts a net 100 square meters of buildings. The new bill, however, exempts a gross 100 square meters.

Commission Tax

The most important innovation in the commission tax has to do with the lump sum method. Present laws allow the lump sum method in commission taxes. The new bill drops the lump sum method and puts the entire commission tax on the real method.

The scope of the commission tax is expanded but the rate is lowered. Present commission tax rates vary between 5 percent and 30 percent depending on the type of goods or services. The bill adopts a single rate, set at 3 percent.

The most important change in the commission tax from the standpoint of the customers who pay the tax is the deduction. Anybody who takes the retail certificates collected from various stores in the course of his shopping and shows them to the Finance Ministry is eligible for a 40 percent deduction.

The schedule for ...ing receipts to the tax offices will be announced separately by the Finance Min...y.

Property Tax

The innovation here is the exemption of village buildings. The present 60,000-lira exemption on village buildings is raised to 300,000 liras.

Another important change has to do with the declaration period. At present, the property tax declaration period is 5 years. Property tax declarations are made every 5 years. This period is reduced to 4 years in the bill. Moreover, the Council of Ministers is authorized to reduce the 4 years further.

Real Estate Appreciation Tax

The present 15 percent appreciation tax on real estate valued to 50,000 liras is reduced in the bill to 10 percent. The ceiling, which is up to 600,000 liras, is raised to 3 million liras. The maximum rate, presently 50 percent, is reduced to 40 percent.

Moreover, the acquisition of premises as realty was not covered by the real estate appreciation tax, but this is now included in the scope of the tax. The 3 percent tax guarantee in this law is reduced to 2 percent and this 2 percent is described as the "final tax." In other words, at least 2 percent will be collected under the real estate appreciation tax whether a gain is realized or not.

Inheritance and Death Duties

Property bequeathed to heirs has a 40,000-lira exemption in existing law. This 40,000-lira exemption is raised to 1 million liras in the new bill.

In addition, in any case of death, property has to be sold in order for taxes to be collected on it and taxes have to be collected in order for it to be sold. In other words, most of the time it is necessary to sell the property of the deceased in order to pay the inheritance and death duties and the taxes are paid in this way. This practice is changed in the new bill and sale of the property is optional provided collateral is posted.

Income Tax

Previously unreported changes in this regard, which introduces matters as important as the minimum subsistence deduction from tax schedules, may be listed as follows:

1. According to existing rules, limited obligants (meaning foreigners) do not have to pay taxes on bank accounts and the sale of personal property. The new bill taxes these two items from the standpoint of limited obligants.

Taxation at the Source

2. In agricultural earnings, expansion of the scope, alteration of exemption limits and deduction at the source are introduced. The amount remaining untaxed up to 60,000 liras in sales volume in agricultural earnings is raised to 200,000 liras. That is, at present a farmer with an annual sales volume of 60,000 liras pays no taxes. After the bill is enacted, no taxes will be paid on earnings up to 200,000 liras. While the sales volume exemption is raised, the physical standards are tightened. The per-donum [940 m^2] exemption is reduced depending on the crop. For instance, the exemption on around 300 donums of cotton is lowered to 50 donums.

However, the most important innovation concerning agricultural earnings is the principle of taxation of agricultural earnings by the method of deduction at the source. According to this method, which will be applied in Turkey for the first time, any farmer or person who earns income from agriculture will pay the tax on the income he obtains for his produce to the person to whom he sells it at the time of sale. The tax rate is 5 percent. For example, when a farmer sells 250,000 liras' worth of cotton to a merchant, he will pay on the spot to the merchant to whom he sells, 12,500 liras which is the tax at 5 percent on 250,000 liras. The merchant will then deposit this money at finance.

Authorship Earnings

The present annual 10,000-lira exemption on authorship earnings is raised to 100,000 liras. However, it is important that this is annual. For example, 500,000 liras' income is earned on a book, and if this 500,000 liras is paid over 5 years at 100,000 liras per year, no taxes will be paid according to the bill. If it is paid in one year, 100,000 liras will be tax free.

Real Estate Capital Gains

The law in effect allows a 5,000-lira exemption on real estate capital gains. The bill taxes the first 40,000 liras of that portion up to 250,000 liras of real estate capital income earned by those who rent housing only (not business places). If annual income exceeds 250,000 liras, then the full real estate capital gains is taxed. This point is relevant only to the rental of housing. All of income earned on the rental of workplaces comes under the tax.

Disability Exemption

The bill drops the existing income tax exemption for the disabled. In the bill, the disabled are considered in two separate groups. The special 54,000-lira deduction allowed wage earners is allowed the first degree disabled. Half of this, or 27,000 liras, is allowed for the second degree.

The law in effect envisages no income tax collection from the disabled. Now a deduction is provided and the disabled will be taxed. As a rationale for this, 150,000 files accumulated at the Finance Ministry were offered, claiming that a great deal of abuse is taking place for the purpose of avoiding taxes. It is pointed out that in this way those who wish to avoid taxes by filing false reports will be prevented.

Commercial Earnings

In commercial earnings, the first 36,000 liras of sales volume and 30,000 liras of annual receipts are taxed as lump sum, while the new bill increases this amount 10-fold. In [other] words, the first 360,000 liras in sales volume of commerical earnings and 300,000 liras of receipts are taxed as lump sum. Any amount beyond this will come under regular bookkeeping procedures.

However, there is an important point here. There is a "minimum tax" on commercial earnings taxed by the lump sum method. In other words, everyone will pay taxes on their commercial earnings. This amount is set as at least 12,000 per year. Maximum will be 42,000 liras. That is, everyone who runs a store will pay at least 12,000 liras once, with the upward limit being 42,000 liras. In this way, commercial earnings will be taxed significantly. It is figured that this principle alone will generate 20 billion liras in revenues from commercial earnings.

Another innovation in this regard is that truck and bus owners, who now pay taxes by the lump sum method, will be subject to the real method with bookkeeping after the bill is passed.

Advance Taxes

One of the most important changes in the income tax has to do with advance payment of taxes by declaration obligants. Commercial and independent professional businessmen who submit tax declaration forms will pay their taxes in advance at the beginning of each year. Commissions to be formed by the Finance Ministry and the Chambers of Commerce and Industry of the cities concerned will specify the amounts to be paid according to the nature of the business. This advance payment will not be less than 50,000 liras or more than 800,000 liras.

Corporation Tax

The present 25 percent corporation tax was proposed as 50 percent by the Finance Ministry. The Council of Ministers adopted 40 percent.

The corporation partnership earnings exemption is dropped, but a principle called "tax receivable" is introduced. According to this, if two partners working in a corporation earn 100,000 liras, for example, 40 percent of this will be taxed and the remaining 60,000 liras will be divided between the two partners as 30,000 liras each. The 40,000 liras' taxes paid will be paid by the two partners as 20,000 liras each. Then half of the 20,000 liras paid, or 10,000 liras, is added to the 30,000 liras and is taxed at 40 percent. This is 16,000 liras. Half of each partner's 20,000 liras' taxes, or 10,000 liras, is deducted from the 16,000 liras, leaving 6,000 liras as tax receivable, and 6,000 liras is paid back to the partner.

Tax Procedure Law Amended

The bill also contains the principle of amending several articles of the tax procedure law.

Accordingly, every workplace will post in a highly visible place the amount of annual taxes paid.

In tax disagreements, the burden of proof rests on the Finance Ministry according to present law. After enactment of the bill, tax obligants will face the burden of proof in addition to the Finance Ministry.

8349
CSO: 4907

IMF DISPLEASED WITH BANK STAND ON TURKEY

Istanbul CUMHURIYET in Turkish 22 Nov 80 p 4

[Text] CUMHURIYET ECONOMIC SERVICE — International Monetary Fund authorities characterize as "scandalous" the slowness and indifference of private banks in providing credit to Turkey and are making no secret of their hardening reactions. According to David Tinge, writing in the FINANCIAL TIMES:

The IMF is stressing the Western nations' promises of aid to Turkey and says, "However, because the aid and credits promised are not being realized on time, Turkey is today facing a $300 million financial deficit."

Essentially there are three major reasons for this IMF reaction: First, the organization considers this attitude by the banks to be a development which, despite their own respectability, will reduce reliability. The second has to do with the IMF's reliability in expanding to the Third World. Last, the IMF describes this attitude as a matter of timing in the area of approach to the money market.

At bottom, the IMF sees the credit to be given to Turkey as a test of itself and, when this does not materialize, worries that it will destroy its respect among other developing nations and will make them "very cautious" toward the aid programs undertaken and the formulas presented in the future.

In addition, it was revealed directly by IMF Director Jacques de Larosiere that the organization plans to get approximately $9 billion in loans from the international money market in 1981. In this situation, it is believed that if the private banks turn to IMF channels, which they see as sounder, instead of giving money directly to Third World nations, it will delay the organization's ability to go to the international money market.

Reluctant Banks

However, the private banks are obviously reluctant to open credit for Turkey and one banker did not hesitate to say, "Our goal is not to pour the oil producing nations' money into the Third World, but to increase the assets of our shareholders."

The latest IMF-Turkish procedure is "to loosen" the public sector credit limit by 5 percent in accordance with the stand-by agreement with the organization. Accordingly, the special drawing rights to be used are 1.52 billion (1.59 billion).

The reason for the "loosening" is the record levels of agricultural products in Turkey this year and the need for money to buy them. The "loosening" is being done according to the "Degree of Implementation" article which determines whether Turkey is implementing the agreement with the IMF.

There is a widespread belief among IMF authorities that Turkey is demonstrating a "courageous" attitude in following the IMF's economic policy for the past year. One IMF officer said, "The IMF tried to accomplish an economic revolution in Turkey," and added: "The state plans 75 percent of the economy. The Turks need time and patience to allow an extensive shift to the private sector."

Optimism

IMF authorities maintain that solution of the problem of "efficacy" in the budget and government spending is being put off, but that the policy of "belt-tightening" introduced with the 25 January decisions reduced the rate of price increases from 100 percent to 3 percent and contend that "inflationary expectations were broken."

As the cost of this implementation in Turkey, industrial production dropped a little in the first 6 months of the year, a parallel reduction in workers' real income occurred, [but] unemployment which was climbing toward 20 percent is being held back from further growth.

Pointing out that they "were surprised" that the governments would risk the discontent created by a belt-tightening policy, the IMF authorities admit that they were wrong in thinking the private banks would start an immediate flow of credit to Turkey. Yet international banks have drawn $340 million from Turkey throughout the year and are expected to draw $200 million more next year.

Yet according to the IMF, providing aid to Turkey is a necessary condition for the success of the economic policy being applied. Moreover, although the international banks are reluctant for their own reasons to give credit at a time when the liquidity situation is favorable, they have poured plenty of money into Turkey and are responsible in a way for the present difficulties.

The IMF has been getting closer lately to Turkey's view that the international banks and brokers have earned money off Turkey and ought to fulfill their responsibilities in return. In fact, one IMF officer does not hesitate to say: "The private banks have benefitted from the facilities we are providing to Turkey. If this attitude persists, it will have a negative effect on the programs we have drawn up for giving larger loans to nations needing money."

8349
CSO: 4907

CALL FOR APPLICATION OF CREDIT TO PRODUCTION

Istanbul CUMHURIYET in Turkish 22 Nov 80 p 4

[Text] CUMHURIYET ECONOMIC SERVICE -- Ibrahim Bodur, assembly chairman of the Istanbul Chamber of Industry, said, "We cannot allow free use of the country's scarce resources. We must guide our resources. For this reason, the decree permitting free interest rates must be reviewed by the money and credit establishment and arrangements made to direct resources to profitable production."

Speaking at a panel discussion on "Effects of the Free Interest Regime on Industrial Financing" arranged by the Economic Research Foundation, Ibrahim Bodur said, "It is the duty of all of us to produce more, to consume less and to export the surplus. However, it is impossible to produce sufficient quantities with these interest rates on credit." He expressed the following views, in summary:

--The decree on releasing interest rates which went into effect as an adjunct to the 24 January decisions has been useful as to the accumulation of savings in the banks and brokerages, However, the yield from these funds has not reflected on production and investment. The decree has not produced a positive outlook from the standpoint of production and investment.

--The Istanbul Chamber of Industry, representing more than 50 percent of Turkish industry, has a registered membership of 7,000 industrialists. Five or 10 of them have a direct relationship with the banks. The banks participate in 5 or 10 operations. It is impossible for the rest of the almost 7,000 industrialists to get the credit needed for production from the banks at normal costs. Moreover, new and higher interest rates have been applied since 1 July to the credit these industrialists were using from previous periods.

Continuing his statement by saying, "Industrialists are not asking for free credit," Bodur added the following:

"Turkish industry is a young industry. Up to 70 percent of it was built on borrowed money. There is inadequate capital in all operations. Since interest rates went up, this inadequacy has been made even plainer. According to our calculations, the share of credit interest in total costs has risen from 12 percent to 26 percent. Because of this development, medium-sized and small industrial operations have been forced to lower capacity or produce a higher-priced product.

"The failure to manage resources bearing in mind production and the national values has led to bottlenecks. Instead of the free use of limited resources, it is necessary that they be channeled into production. The major task in this falls upon the government. It is imperative that the money and credit establishment review the decree permitting free interest rates and make arrangements to direct resources into production."

Also speaking on the panel, Pamuk Bank Director General Assistant Professor Dr Vumi Akisik pointed out that funds invested in the Central Bank, the practice of cash convertibility and the transaction tax had contributed to higher interest on credit. Akisik said that only 100 of every 200 liras in the banks were managed by the banks and added, "If the practice continues, credit will shift to the most productive secotrs." Securities Banking and Finance Corporation Director General Mehmet Gun Calika said, "Very high interest figures have occurred on the money market," stressing that there may be a question of liquidations.

Banker Kastelli General Coordinator Yilmaz Karakoyunlu also expressed the following views:

--The interest decree allowed savings holders to obtain further income. It is natural that projects which are not feasible should have negative effects on production and marketing. Moreover, the industrialist will have to alter his profit rate.

--Withdrawing securities is cheaper for the industrialist than bank credit. However, the total capital of the private sector establishments able to withdraw securities is around 15 billion liras and security withdrawal is limited by paid-up net assets. The private sector has withdrawn almost 12 billion liras in securities and this is about the limit.

8349
CSO: 4907

STREET VENDORS SYMPTOM OF ECONOMIC MALAISE

Istanbul CUMHURIYET in Turkish 19 Oct 80 p 5

[Text] Ankara (CUMHURIYET BUREAU) -- Unemployment, an increasing cost of living, rapidly rising prices, rents climbing into frightful figures and unchanging salaries and wages to combat them... a large mass of low-income people are being driven to starvation confronted by this dilemma. People who cannot get a cost-of-living increase in their wages are having to seek new jobs.

It is impossible to find a second job while a vast army of unemployed stands idle. The only job left for the unemployed and for those who have a job but cannot make ends meet is to become an itinerant peddler or street vendor.

Our capital city of Ankara is one of the cities experiencing this phenomenon in its starkest form today. Though definite figures are not known, there are around 5,000 itinerant peddlers and street vendors trying to make a living in Ankara. And now this group is joined by laid-off workers, civil servants and teachers and underpaid state employees.

The unemployed and moonlighters can get started in this job with a little capital obtained by selling the household refrigerator or washing machine or the bracelet on the wife's arm. Among them are workers, civil servants, union members, teachers, retired civil servants, retired workers, people of every profession who have been laid off, as well as children and students. There are also, of course, the people who have done this for 30 or 35 years and know no other occupation.

No Social Security

Those who go into this line of work, whether by choice or compulsion, have no social security at all. They hustle all summer like ants to lay enough by for the winter. Business drops by half in the spring and fall and comes to a virtual standstill in winter. There is ill health, old age and infirmity. And besides all these difficulties, they complain about not being able to work with peace of mind during the short time they are able to work... they are always ducking and hiding... afraid of the police every minute...afraid of being arrested...afraid of being looked down on.

Itinerant peddlers and street vendors never have good working conditions. Their only desire is to have a place of their own, to have some social security. If they only had a steady place, it would give them the chance for some social security.

Temporary Certificate

The Ankara municipality tried this once and issued temporary permits to 35 or 40 people. These permits were issued, however, on condition "to be cancelled when desired." The vendors holding these permits, which are valid until March 1981, work on Ulus and Alsancak Streets and in Kizilay. At present there are approximately 1,500 peddlers and street vendors in the Ulus area.

After working for at least 1-1.5 months, permit holders pay 300 liras for 3 months. The municipality later tried to discontinue this method which it had at first approved but met a strong reaction. People with no other opportunity for work, who chose street vending as a last resort say that they will keep on even if the permits expire, that they have no alternative, that they have become more careful upon the complaints of nearby stores, that they keep the area clean and positively avoid disruptive behavior.

Almost all of the street vendors live in the squatters' region and 90 percent of them are renters. Their rent varies between 2,500 liras and 3,000 liras. An Ulus vendor said that they pay at least 750 liras per month for transportation. "Winter is coming. We have to buy wood and coal. We have to get ready for winter. Most of us are married and have children. It takes money," he says.

The street vendors are people who have been pushed from job to job by hard living conditions. As well as the government employees, workers, teachers, union members and retirees among the street vendors, there are also former junkmen, shoeshine boys and laborers. Neco, now a peddler who has been in all these lines of work since a very tender age, describes his life as follows -- a story which seems incredible to most of us for a person his age:

"I was born in Ankara in 1962. My father left us for another woman when I was 4 years old.

"After my father left, my mother went out to do cleaning work because we had no source of income. There were nine of us children, four girls and five boys. I was the oldest boy. Our family was in a very bad way. I really wanted to go to school, but I had to leave primary school in the third grade.

"As long as I had no hope of going to school, I started working for 30 liras a week as an apprentice in Siteler. I was around 9 or 10 then. I worked there for 5 years. I had to leave as the pay was so little. I started working as a laborer. Later I collected junk and tincans from the trash and sold them to scrap dealers. I managed like this for a while. But it was no good. I could only make 20 to 30 liras a day at most. I saw it wouldn't do so I built myself a shoeshine box and started shining shoes. It cost more than I made. I saw this wouldn't do either, so I started carrying bricks, pouring cement and mixing mortar in construction. I was not strong enough for this work. I left and tried to find lighter work. I started selling trinkets and things like combs and Ramazan calendars. I didn't have the money to buy anything else. So that's how I started peddling."

A middle school teacher explains his reasons for becoming a peddler as follows:

"I have a wife and two children. The salary I make is only enough for rent and food. I have to get ready for winter. I have to buy coal and firewood. I have to do peddling as an extra job in the evenings and on weekends."

A citizen who works as a laborer at the Middle East Technical University sells collars and ribbons for primary school children out of a suitcase at Kizilay. When we were talking to him, he answered our questions while tying bows in the long ribbons he held.

"Now it's time for the schools to open. I am doing this. Later on, I will sell whatever is needed. I cannot make ends meet otherwise. I do this in the evenings, on weekends and during my annual leave. I am on leave now. I'm married. I have one child and we are expecting another. They might come and calle me any minute, saying, 'It's a boy' or 'It's a girl.'"

No Municipal Job

Suat Eskin sells on the corner of a street leading into Izmir Avenue. He worked for the Ankara municipality for a year but was not rehired at the end of the year. Meanwhile, he learned that the municipality was giving vending permits and set up a stall. He sells perfumery supplies. Noting that he started in this business to meet future expenses, Eskin says:

"I am engaged. I need money to get ready for marriage. The money I make is just enough for my daily expenses right now, but maybe later I will be able to put money by for other things.

"I don't know what will happen when my permit expires. But I am determined to work. The police give you no peace though. They are always watching us even though we have permits. The municipality ought to give us a place where we could work all the time. Then maybe we could have some social security, too."

"I Asked for a Raise and Was Fired"

A textile worker who is a peddler because he was fired from his job tells the following story:

"We are the victims of mechanization. An automatic machine was installed in the shops where we worked. It needed only one person to do what 10 or 15 of us did together. We asked for a raise at the place where I worked. The boss said, 'I can't give you a raise. If you can't do the job somebody else will.' And he fired the lot of us. We resisted and said, 'You can't fire us. You can't throw us into the street,' but he did anyway. We went to the police; we were referred to the labor court. We had to leave without going to labor court because we had no union and no papers to show that we worked there.

"For a year I looked for work in Ankara, without success. Then I heard that the city was giving places around Ulus. I worked for 1.5 months and got a place from the city. In the meantime, I got married. Since I had no capital, I took what little money I had and borrowed some to buy a few things and started selling. When I heard that the municipality was going to revoke the permits I closed up the stall because I was afraid I would lose my merchandise. When I couldn't sell the

merchandise I had, of course I couldn't buy more. The municipality told us the department stores were complaining. The police officers are insulted in the stores but they don't hassle them; they hassle poor people like us who break our backs to make a penny or two.

"The municipality probably thought about this when it gave us the permits. Why does it decide to revoke our permits after allowing us to buy our goods and set up here? It is trying to get us out of here.

"What does the municipality care about us. Does it want to drive us to starvation? If a market can be built in Ankara, if Istanbul can have a Mahmutpasa, then a place ought to be set aside for us, too, where we can work."

"I Am a Construction Worker. I Started this Job when I Hurt My Arm."

Isa Ciftci hurt his arm in an accident after working in the construction business for 23 years and started this work because he could find nothing else. For 23 years he has never had any social security or insurance. He says:

"I am 47 years old. I've never had any insurance or security for the future, either in this job or in the construction business before. This is why I have to work as long as I have the strength.

"I support six people on my earnings. Two of my four children are in school. I have a squatter's house in Kecioren Kuscagiz. My transportation expenses are 1,000 liras a month. There are days when I cannot work. If I have a few extra pennies we manage on that. If not, we go into debt...

"We are waiting for help from the municipality. Let them give us a place, show us the way."

A vendor for 30 years, Haci Topcu has been in this business since he was 10 years old. "I could not do anything else," he says. He has supported a family of five with this occupation, sending his three children to school. He said:

"One of my children is at Middle East Technical University, one is in high school and one starts primary school this year.

"We have an awful time making ends meet. Then on top of everything, we learned that Ankara was going to revoke our permit. We are very upset about this...

"We are trying to get all the people registered with the peddlers and vendors solidarity association into BAG-KUR [Social Security Association relating to Tradesmen, Artisans and Independent Workers]. This must be looked into. It must be followed up no matter what it takes.

"I have been working in Ankara for 30 years. I will do this work whether the municipality gives me a permit or not. If we have a permit, we can work in peace like other people. We are not haunted by the police."

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